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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Report of the Office of Internal Oversight Services

Note by the Secretary-General*

1. In conformity with paragraph 5 (e) (ii) of General Assembly resolution 48/218 B of 29 July 1994 and resolution 54/244 of 23 December 1999, the Secretary-General transmits herewith to the Assembly, as submitted, the eighth annual report of the Office of Internal Oversight Services, covering activities for the period from 1 July 2001 to 30 June 2002.

2. The Secretary-General takes note of the oversight activities and accomplishments presented in the annual report of the Office of Internal Oversight Services. The continuing efforts of the Office to improve its relationships with management and with all members of the governing bodies, and to coordinate its programme with other oversight bodies, including the Board of External Auditors and the Joint Inspection Unit, are also noted with appreciation.

* Owing to the fact that the reporting period of the present report is 1 July 2001 to 30 June 2002, it was not possible to meet the 3 July deadline for submission.

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Report of the Office of Internal Oversight Services

for the period from 1 July 2001 to 30 June 2002

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Preface

by the Under-Secretary-General for Internal Oversight Services

Integrity, accountability, transparency

I am honoured to submit to the General Assembly the eighth annual report on the activities of the Office of Internal Oversight Services (OIOS), covering the period from 1 July 2001 to 30 June 2002. During this time, OIOS responded with determination to calls by Member States for better use of the resources of the Organization by focusing its services to instil a greater sense of accountability throughout the Organization.

Highlights of the Office's activities and achievements during the 12 months include the following:

- Seven OIOS audits resulted in reports to the General Assembly covering a wide range of topics, such as the United Nations International Research and Training Institute for the Advancement of Women and oversight activities concerning the Office of the Iraq Programme and the United Nations Compensation Commission
- Investigators found evidence showing that some police monitors at the United Nations Mission in Bosnia and Herzegovina had used the services of women and young girls working as prostitutes in the Mission area. However, there was no prima facie evidence of widespread involvement by the monitors in the trafficking of women and young girls. The OIOS recommendations issued in connection with the case are in the process of being implemented by the Department of Peacekeeping Operations (paras. 48-49)
- OIOS management consultants are contributing to the Secretary-General's comprehensive reform efforts and, at his request, are carrying out assignments on administrative duplication and human resources management reform (para. 154)
- A follow-up review of mission subsistence rates at peacekeeping missions showed that the implementation of OIOS audit recommendations resulted in net projected annual savings of $25.5 million (para. 67)
- With its enhanced qualitative assessments of programme performance, the Secretary-General's report on programme performance of the United Nations for the biennium for 2000-2001 (A/57/62), produced by OIOS, was an important step towards implementing results-based reporting in the Organization. The report, a result of OIOS monitoring activities, was produced through the use of the Integrated Monitoring and Documentation Information System (para. 125)
- An audit of United Nations Joint Staff Pension Fund contribution remittances by member organizations revealed that more than $33 million in contributions were under-remitted or remitted late during 1999 and 2000, resulting in lost interest income of over $400,000, which had not been recovered by the Fund (para. 116)
- An investigation into the allegations of sexual exploitation of refugee girls and women by aid workers in refugee camps in West Africa run by the Office of

the United Nations High Commissioner for Refugees has confirmed that such exploitation exists but is not widespread. The information gathered suggested that young female refugees resorted to prostitution or sexual relationships with aid workers as a result of extreme poverty. However, cases of rape and other involuntary sexual contact with refugees were also found. OIOS will present its findings and recommendations in its report to the General Assembly when the investigation is completed (para. 29)

- OIOS resident auditors assigned to the largest peacekeeping missions and the Office of the Iraq Programme have provided assurance that these activities receive close and continuous audit coverage. The results of their work have helped to strengthen controls and improve the efficiency of these field operations

- OIOS is providing resident audit coverage for the $270 million UNHCR Repatriation and Reintegration Programme in Afghanistan and neighbouring countries. Given the magnitude and risks involved in the operation, UNHCR has agreed to OIOS providing advice on effective internal controls (para. 19)

- The merger of four oversight functions in the newly established Monitoring, Evaluation and Consulting Division has energized cross-disciplinary teamwork in the areas of monitoring, inspection, evaluation and management consulting. Two reports that I will submit to the General Assembly on possible discrimination in the Organization and the implementation of results-based budgeting, respectively, clearly demonstrate the synergies achieved (paras. 144-146)

- An Investigations Unit has been established in Geneva along with the existing audit capacity in order to deliver more responsive and coordinated services in the European region

During the past year, the Office issued 2,357 recommendations to improve internal controls and correct underlying obstacles to organizational efficiency and effectiveness. Of these, 51 per cent have already been implemented. Some 30 per cent of all recommendations were classified as critical to the Organization, calling for improvements to productivity, savings and recoveries and accountability for fraud, waste and abuse, among other things. OIOS also exposed waste and fraud in the Organization and recommended actions which, if implemented by programme managers, would save the Organization approximately $56 million.

OIOS was the subject of an audit by the Board of Auditors covering OIOS functional units for the biennium 2000-2001. The Board recommended that OIOS strengthen its information technology and information systems audit capability; better document the review of internal controls, audit working papers and the basis and manner for computing savings; improve the timeliness of audit reports; and define the criteria when reports should be prepared in respect of closed investigation cases. OIOS has initiated a number of corrective actions in response to the Board's recommendations. For example, the Internal Audit Division has provided training on working paper standards and is currently undertaking an electronic working paper pilot project which, when successfully implemented, will fully address the Board's recommendations. OIOS also plans to request the necessary resources during the next budget cycle to recruit additional information systems auditors.

OIOS continued its strategic planning exercise initiated in 2002 with the aim of improving internal coordination of oversight activities, mandated by the medium-term plan. This year's framework is centred on three shared strategic objectives: qualified staff; a culture of continuous improvement; and improved client relations.

The Office has introduced new initiatives to heighten the quality of internal oversight services in support of the climate of accountability taking hold in the Organization: applying a risk assessment framework to plan and carry out oversight assignments more effectively; promoting integrity in the Organization; prioritizing its investigative assignments and services to handle the increasing caseload; applying internal management consultants to meet new demands for services; and strengthening the support for self-evaluation carried out by programme managers. Some of these new tasks require additional resources. I have therefore renewed my call to Member States for extra-budgetary funding through the Trust Fund for Enhancing Professional Capacities for Internal Oversight, established in 2001.

As part of my vision to enhance the impact of internal oversight in the Organization, I have worked with my senior managers to develop a career progression plan to attract and retain qualified staff for oversight. The plan follows closely the Secretary-General's initiatives to strengthen human resources to develop highly skilled international staff, particularly professionals with specialist oversight competencies. I am also developing a new internal management information system to improve the measurement of the performance of OIOS Divisions. The system will enhance the management of resources and provide critical indicators to improve our internal accountability and coordination. With the continued support of the intergovernmental bodies and the administration, I am confident we will succeed.

(*Signed*) Dileep **Nair**
Under-Secretary-General for Internal Oversight Services

New York, 4 October 2002

I. Introduction

A. Mandate and mission

1. In its resolution 48/218 B of 29 July 1994, the General Assembly established the Office of Internal Oversight Services (OIOS) to enhance oversight functions within the United Nations, in view of the increased importance, cost and complexity of the activities of the Organization. Enhanced oversight was to be achieved through intensified evaluation, audit, inspection, investigation and compliance monitoring. The Assembly stressed the proactive and advisory role of the new Office and mandated it to provide assistance and methodological support to programme managers in the effective discharge of their responsibilities

2. In 1999, the General Assembly reviewed the implementation of resolution 48/218 B and adopted resolution 54/244, setting out a number of provisions on OIOS concerning reporting, functions, coordination, funds and programmes, investigations and operational independence. Subject to those provisions, the Assembly reaffirmed resolution 48/218 B. The Office exercises operational independence under the authority of the Secretary-General (ST/SGB/273) in conducting its duties and has the authority to initiate, carry out and report on any action it considers necessary to fulfil its oversight responsibilities. Additional administrative issuances (ST/AI/397, ST/IC/1996/29 and ST/SGB/2002/7) elaborate on the role of OIOS. In order to comply with the directives for the limitation of pages of reports issued to the General Assembly, the present report is approximately 15 per cent shorter that last year's annual report.

Mission of the Office of Internal Oversight Services

To provide internal oversight for the United Nations that adds value to the Organization through independent, professional and timely internal audit, monitoring, inspection, evaluation, management consulting and investigation activities. To be an agent of change that promotes responsible administration of resources, a culture of accountability and transparency and improved programme performance.

B. Budget and staffing resources

3. In keeping with the need for operational independence of the Office and under a separate delegation of authority from the Secretary-General (ST/AI/401), the Under-Secretary-General for Internal Oversight Services exercises the degree of autonomy and control over OIOS personnel and resources consistent with the Staff Regulations and Rules of the United Nations and the Financial Regulations and Rules of the United Nations. A separate Appointment and Promotion Panel, which will be renamed the OIOS Review Body, independent of the Secretariat's central review bodies, advises the Under-Secretary-General on personnel matters. During the reporting period, the Panel considered 20 appointment, promotion and placement cases.

4. At present, the Office has a total of 179 posts: 131 in the Professional category and 48 in the General Service category. Eighty-eight of those posts are funded from extrabudgetary resources, including 30 resident auditor and investigator posts for individual peacekeeping missions. For 2002, the Office's resources total $17.8 million, of which $7.8 million is funded from extrabudgetary resources.

C. Overview of recommendations

5. As mandated by the General Assembly, OIOS reports to the Secretary-General every six months on the implementation status of its recommendations. A separate semi-annual report was prepared for the six-month period, from 1 July to 31 December 2001, while the 1 January to 30 June 2002 period is covered in the current report.

6. As in last year's annual report (A/56/381), OIOS has included qualitative assessments of clients' implementation of recommendations defined as critical. Section II of the present report contains the OIOS overall assessment for each client. For certain clients, no critical recommendations were issued during the period and therefore no assessment is provided. A recommendation is classified as critical when it meets one or more of the following criteria:

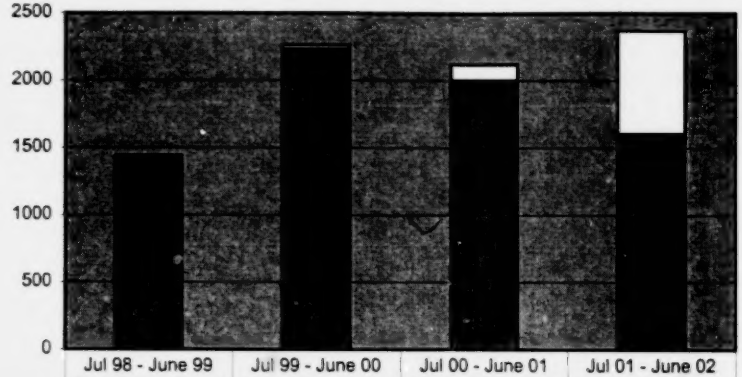
- Calls for changes in administrative issuances and organizational guidelines
- Results in measurable improvements to process and workflow, productivity, effectiveness and managerial controls
- Corrects systemic control deficiencies in high-risk areas
- Holds managers, staff and vendors accountable for fraud, waste and abuse or clears individuals of allegations
- Results in savings, recoveries or prevention of unjustified expenditures of $25,000 or more
- Is of topical importance
- Requires the concurrence of governing bodies
- Results in discontinuing cooperation with an executing/implementing partner or disqualification/blacklisting of a vendor
- Requires action by a Government in its capacity as host Government, donor etc. (e.g. tax privileges)

7. As reflected above, OIOS has amended its criteria for critical recommendations by modifying the first criteria to omit reference to United Nations regulations and rules. Similarly, the criteria relating to changes to organizational structure have been subsumed in the first criteria.

8. During the past year, OIOS oversight activities resulted in the issuance of 2,357 recommendations related to strengthening internal controls, improving management performance and the identification of almost $56 million in potential cost savings and recoveries. Consistent with its widening global coverage, OIOS is again this year including recommendations issued through observations made at the operating level in the field in the tables below.

9. Table 1 shows the rate of implementation for all OIOS recommendations issued during the current reporting period as well as the implementation rate for the three previous 12-month periods: 1998-1999, 1999-2000 and 2000-2001, as mandated by the General Assembly in its resolution 56/246. The table also shows the number of recommendations reported by clients where implementation is in progress or has not yet started. There are slight variances in the number of recommendations reported for the period from July 2000 to June 2001, as compared to this 12-month period, owing to the withdrawal of late entries and recommendations.

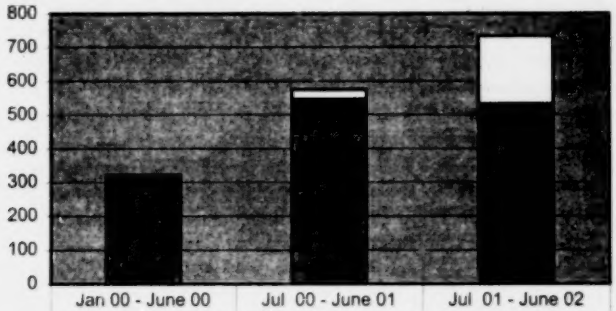
Table 1
Implementation status of all recommendations issued



	Jul 98 - June 99 Total Recs. Issued 1441	Jul 99 - June 00 Total Recs. Issued 2262	Jul 00 - June 01 Total Recs. Issued 2120	Jul 01 - June 02 Total Recs. Issued 2369
Rate of Implementation	97.4%	87.2%	78.4%	51.2%
Not started	0	29	117	763
In progress	38	260	340	394
Completed	1403	1973	1663	1212

10. Table 2 shows the rate of implementation of critical recommendations issued during the current reporting period as well as the two 12-month periods since the designation as critical began in January 2000. Table 2 also shows the number of critical recommendations reported by clients where implementation is in progress or has not started.

Table 2
Implementation status of critical recommendations

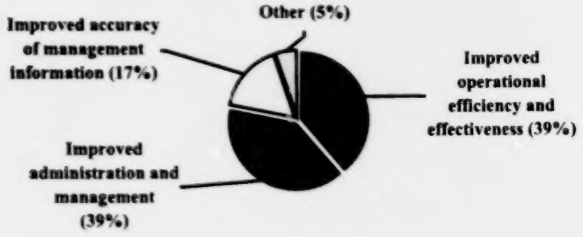


	Jan 00 - June 00 Critical Recs. Issued 321	Jul 00 - June 01 Critical Recs. Issued 574	Jul 01 - June 02 Critical Recs. Issued 733
Rate of Implementation	86.3%	77.7%	46.4%
Not started	4	27	201
In progress	40	101	192
Completed	277	446	340

11. The OIOS critical recommendations address areas with far-reaching consequences for the Organization's performance. Table 3 below shows the distribution by impact area of the 673 critical recommendations issued during the current reporting period covering the efficiency, accuracy, administration and management of the Organization's resources. The category "Other" covers improved security and disclosure of mismanagement, misconduct or fraud.

12. Tables 1 and 2 show that the implementation of 29 (including 4 critical) recommendations issued during 1999-2000 and 117 (including 27 critical) recommendations issued during 2000-2001 had not been started as of July 2002. There are several reasons for this, including: the complexity of the recommendations, which often call for the development/revision of policies and procedural guidance; time lags in reporting of implementation progress; recommendations that become obsolete and require withdrawal; and the need for lengthy negotiations on modalities for implementation. The status of implementation of recommendations is reviewed during the OIOS annual work planning exercise, where OIOS may schedule follow-up reviews of non-implemented recommendations as part of its scheduled assignments (see also overall assessments for each client and annex I).

Table 3
Impact of critical recommendations issued from July 2001 to June 2002


Other (5%)
Improved accuracy of management information (17%)
Improved operational efficiency and effectiveness (39%)
Improved administration and management (39%)

13. As shown in Table 4, OIOS recommended a total of $50.3 million in recoveries and $4.8 million in reduced expenditures resulting from audits and investigations carried out during the reporting period. In addition, a total of $800,000 was identified as loss/waste of Organization resources. During the current reporting period, the Organization also had actual expenditure reductions of $26.3 million and recoveries of $1.1 million on the basis of OIOS recommendations. The total actual savings and recoveries of $27.6 million in the current year represent a record for OIOS and were largely attributable to its 2001 recommendations concerning the establishment of mission subsistence allowance rates in selected peacekeeping missions (para. 67).

Table 4
Recommended and actual savings/recoveries in 2001-2002
(US$ millions)

	Recommended	*Actual*
Recoveries	50.3	1.1
Reduced expenditures	4.8	26.3
Other	0.8	0.2
Total	**55.9**	**27.6**

II. The year in review: oversight results and assessments

A. Priority oversight issues

14. Since 1994, OIOS has focused its oversight activities on those areas that pose the greatest risks to the resources of the Organization, namely peacekeeping, humanitarian and related activities, human resources management, procurement and problems associated with establishing new bodies. The priorities of the annual work programme of OIOS, the biennial budget proposal and the medium-term plan depend largely on requests made by the General Assembly, the Secretary-General,

OIOS client departments, offices, funds and programmes and the results of the OIOS strategic planning process.

15. The oversight results and assessments listed below are outcomes of audit, evaluation, inspection and investigation activities undertaken during the reporting period. At the Fifth Tripartite Oversight Coordination meeting, held in June 2002, improved coordination and joint assignments with the Joint Inspection Unit and the Board of Auditors were discussed.

B. Human rights and humanitarian affairs

1. Office of the United Nations High Commissioner for Refugees

(a) Overall assessment

16. The Office of the United Nations High Commissioner for Refugees (UNHCR) received 221 recommendations contained in audit reports addressed to its senior management. An additional 1,018 recommendations were made in audit observations addressed to UNHCR managers in the field. A total of 115 (or 9 per cent) of those recommendations were classified as critical. Forty-five per cent of critical recommendations called for improvements in processes, controls and systems; about 31 per cent identified potential savings and recoveries totalling $3.1 million. During the reporting period, over $1.8 million was actually saved or recovered.

17. Overall, UNHCR has been timely in responding to audit reports and observations and in addressing the issues raised by OIOS. Approximately 35 per cent of the critical recommendations have been implemented by UNHCR and another 14 per cent are in the process of being implemented. Some of those recommendations require policy changes or the development/revision of policy and procedural guidance and thus take some time to be fully instituted organization-wide. For some 31 per cent of the critical recommendations, implementation action is still pending.

18. Twelve critical investigations recommendations were issued: five have been implemented and seven have been accepted and are in the process of being implemented. Of the 12 recommendations issued, 42 per cent call for the correction of high-risk systemic deficiencies and 29 per cent require the disclosure of misconduct or fraud.

(b) Audit coverage

19. Given the magnitude and risks involved in the UNHCR Afghanistan operation, a resident audit team has been established in Islamabad to ensure continuous audit coverage and provide advice to the operation on effective internal controls. OIOS also audited operations at UNHCR headquarters and in 32 countries in Africa, Asia and the Pacific, Europe and the Americas, totalling some $245 million, or 32 per cent of UNHCR total expenditure in 2001. Thirty-four audit reports were issued to senior management and more than 100 audit observations to managers in the field.

Value added tax

20. In its 1999 annual report (A/54/393, para. 54), OIOS reported instances where UNHCR encountered difficulties getting a tax exemption or tax refund under the Convention on the Privileges and Immunities of the United Nations of 1946. Payment of value added tax (VAT) on UNHCR official purchases continues to be a problem and OIOS is concerned that significant funds are absorbed by taxation and thus lost for the intended humanitarian purposes. In four country operations alone, OIOS found that an estimated $3 million of VAT was recoverable. According to article II, section 8, of the 1946 Convention, the United Nations will not, as a general rule, claim exemption from taxes on goods which form part of the purchase price (such as VAT), but Member States will make administrative arrangements for the remission or return of such taxes when the United Nations makes important purchases for official use. However, VAT has not been refunded for various reasons, such as failure of the Government to make appropriate arrangements for the refund; restrictive national legislation concerning the definition of important purchases and official use; and the failure of UNHCR offices to make proper and timely arrangements for claiming the refund of taxes. OIOS has therefore recommended that UNHCR seek the support of the Secretary-General to obtain VAT refunds, in line with the 1946 Convention, as well as reimbursement of the VAT already levied. OIOS also recommended that UNHCR make efforts to have VAT exemptions extended to implementing partners.

Implementing partners

21. The review of implementing partners was continued to assess their ability to manage UNHCR project activities. UNHCR delegates a significant portion of funds to those partners, which in 2001 represented some $283 million, or 36 per cent of UNHCR expenditures. OIOS found that for nearly 80 per cent of the partners audited (accountable for 85 per cent of the expenditures audited), reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the sub-agreements. For those partners that did not have adequate systems and procedures (or where the reliability and integrity of information presented could not be assured), OIOS reiterated the need for UNHCR to provide adequate support and more intensive training, guidance and supervision, as well as more careful scrutiny and assessment of partners prior to their selection.

22. Moreover, in order to obtain a better understanding of how the major partners of UNHCR operate, OIOS continued to carry out reviews at the headquarters of international implementing partners to assess their systems and procedures and provide advice and recommendations on how to ensure compliance with UNHCR requirements. The results of such reviews are documented in a database, which is expected to assist UNHCR in the selection of future partners.

Project monitoring

23. In 2001 and 2002, OIOS focused on assessing UNHCR project management, in particular, financial and performance monitoring of implementing partners' activities. That was an area of weakness highlighted by the Board of Auditors in a prior report. In some country operations, considerable improvement was needed to verify the use of UNHCR funds and systematically monitor and measure the impact of project implementation. OIOS recommended that clearer and more detailed

project monitoring and verification guidelines be developed. OIOS assisted UNHCR in developing a new strategy, which stressed the importance of periodically assessing the reliability of partners' accounting and budgetary control systems, as well as the effectiveness of internal control procedures. New and more comprehensive guidelines have been issued by UNHCR to ensure a consistent and coherent approach.

Audit certificates

24. In its report on the financial statements of UNHCR for the year ended 31 December 2001 (A/57/5/Add.5/Corr.1), the Board of Auditors recommended that UNHCR assess the feasibility and cost effectiveness of adjusting present audit requirements for implementing partners and that it define, with the assistance of OIOS, and provide guidance on the audit requirements for government audits. OIOS will assist UNHCR in developing standard requirements and terms of engagement for such audits and in further developing and strengthening the policies for implementing partner audit certification in general.

Project staff

25. OIOS reviewed the use of non-UNHCR staff categorized as "project staff" and determined that more than 900 such persons were working for UNHCR. Those staff were recruited by another employer even though UNHCR normally selected, fully funded and directly controlled and supervised them. As that had been an issue of concern within UNHCR for several years, OIOS had recommended that it be effectively addressed. In response, UNHCR decided to phase out project staff in favour of creating the necessary regular posts or establishing genuine implementing partner arrangements. The implementation of that recommendation is still in progress.

Asset management

26. Asset management has repeatedly been highlighted as a problem area for UNHCR. An OIOS review of asset management at UNHCR headquarters, in conjunction with field audits, confirmed that much improvement is still required. The audit covered assets with an acquisition cost of $193 million and a current value of $54 million. In view of a number of discrepancies found, OIOS was not confident of the completeness and accuracy of the data presented. For example, default values were used for about 4,000 items, resulting in the acquisition cost and current values being understated by $15.7 million and $4.9 million, respectively.

27. Implementation of the asset tracking system, AssetTrak, was still not completed as of mid-2001, particularly with regard to assets under the custody of implementing partners. OIOS recommended that UNHCR establish a fully functional and reliable tracking system for its assets worldwide and that it redesign its asset management procedures. UNHCR is finalizing comprehensive guidelines to ensure that information is more reliable and disposal procedures are more efficient. Those guidelines will come into effect in the second half of 2002.

(c) Investigations

Refugee smuggling

28. OIOS issued its report to the General Assembly on its investigation into allegations of refugee smuggling at the Nairobi Branch Office of UNHCR (A/56/733). The OIOS-led international task force conducted the investigation resulting in the arrests and indictments by the Kenyan authorities of four UNHCR staff members, two members of an affiliated non-governmental organization (NGOs) and four others who operated the criminal enterprise. The trials are progressing; however, there is no final disposition to date.

Sexual exploitation

29. In late November 2001, UNHCR referred to OIOS serious allegations of exploitation of refugee girls by humanitarian aid workers and peacekeepers in UNHCR-run camps in West Africa. The allegations were made by consultants contracted by UNHCR and Save the Children UK, who had identified the issue during an evaluation of sexual violence and exploitation of refugee children in West Africa. OIOS and UNHCR agreed that before any investigation could begin, UNHCR should put in place mechanisms to ensure that any child victims/witnesses could be protected from abuse, intimidation or other retaliatory acts during or after the investigation. The allegations were based on third-party reports and neither the victims nor the alleged perpetrators had been interviewed by the consultants. Contrary to the allegations, the investigation did not reveal a widespread pattern of sexual exploitation by aid workers requiring sex from refugees in exchange for providing free services, such as food rations, registration cards, shelter, health care or education. However, the investigation did reveal instances of sexual exploitation. A report will be issued to the General Assembly when the investigation is completed.

2. Office of the High Commissioner for Human Rights

30. Two critical investigation recommendations were issued to OHCHR in connection with the report on the trafficking of women and young girls into the area of the United Nations Mission in Bosnia and Herzegovina for the purpose of prostitution. Those recommendations called for independent investigations and improvements in operational efficiency and effectiveness and are in the process of being implemented. Implementation action also remains to be completed for eight critical audit recommendations made in the OIOS 2000 report on the management audit of OHCHR headquarters administration (A/55/436; see annex I). The General Assembly, by its resolution 56/253, requested OIOS to conduct a management review of OHCHR.

3. Office of the Iraq Programme

(a) Overall assessment

31. The Office of the Iraq Programme was established at United Nations Headquarters in October 1997 to consolidate the management of United Nations activities in the area and to improve the implementation of the Iraq Programme

established by the Security Council in its resolutions 986 (1995) and 661 (1990).[1] The Office's responsibilities include processing applications for contracts for importing humanitarian supplies to Iraq and approval of contracts for oil exports from Iraq. The Office also coordinates the Organization's observation of supplies distributed under the Programme in central and southern Iraq, as well as programme implementation in the three northern governorates of Iraq by United Nations agencies and programmes on behalf of the Government of Iraq.

32. Overall, OIOS has concluded that certain aspects of the operations of the Office of the Iraq Programme, including contract management procedures, need to be improved. The United Nations Office of the Humanitarian Coordinator in Iraq (UNOHCI) has continued to strengthen its coordination and monitoring of activities in northern Iraq. However, it was found that further improvements are still needed in a number of areas. OIOS intends to continue reviewing this aspect of UNOHCI activities. Of the 39 recommendations issued, 18 are still outstanding, including eight critical recommendations. OIOS notes that satisfactory progress has been made in implementing the critical recommendations.

(b) Audit

Update of oversight activities concerning the oil-for-food programme

33. In an audit report (A/56/903) prepared in compliance with General Assembly resolution A/56/246, OIOS concluded that the Office of the Iraq Programme and UNOHCI had been responsive to audit recommendations and had made serious efforts to implement them. However, the Office of the Iraq Programme needed to address a number of issues, including improved management of major contracts in Iraq, as well as enhanced coordination and monitoring of project activities carried out by United Nations agencies and programmes in northern Iraq.

Field activities of the Office of the Iraq Programme

34. A review of activities of the Office of the Iraq Programme in Iraq identified a number of issues requiring management's attention. For example, there was no systematic succession plan for replacing key personnel in Iraq. In view of the difficulties in recruiting staff for Iraq, that could have serious implications for the Programme. In the view of the Office of Internal Oversight Services, re-establishing the Deputy Humanitarian Coordinator post in Baghdad would result in more effective management of the Programme in northern Iraq by allowing the Deputy to focus fully on strengthening its coordination and monitoring mechanisms. However, with regard to re-establishing the Deputy Humanitarian Coordinator post in Baghdad, the Office of the Iraq Programme stated that extensive reviews had been undertaken to determine the most appropriate management arrangements.

35. OIOS also reviewed management by the Office of the Iraq Programme of the oil inspection services contract. The audit concluded that the all-inclusive per-man-day costing of the contract, which included equipment and telecommunication costs, was an uneconomical arrangement. OIOS estimated that equipment costs had been overpaid by approximately $1 million and recommended that future contracts for

[1] Under Security Council resolution 986 (1995) and subsequent resolutions of the Council, Iraq was enabled to sell oil on the world market and use the proceeds to purchase humanitarian supplies. Resolution 986 (1995) also established the terms of reference for the Iraq Programme.

inspection services break down costs by component to ensure that the Programme only pays the actual costs incurred. The Programme agreed to consider changing the cost calculation method for future contracts, but noted that under the current contractual arrangements, equipment costs had been appropriately paid.

Management of the escrow account

36. The escrow account established for the deposit of revenues from the sale of oil authorized by the Security Council was reviewed. The United Nations Treasury's responsibilities for that account include managing the investment of oil revenues and arranging for the issuance of letters of credit for goods purchased by the Government of Iraq. OIOS found that the Treasury, although understaffed, had established effective procedures for issuing the letters of credit; however, there was a need to strengthen the procedures for managing the funds. OIOS observed that appropriate United Nations investment limits had not been complied with, exposing the funds to unacceptable risks. The Treasury was in the process of diversifying the investment of excess funds and was planning to diversify the banks used for preparing letters of credit with a view to spreading the risks. The Treasury has taken action to implement most of the audit recommendations, which included making arrangements to diversify investments among four additional banks as of 16 August 2002.

4. United Nations Compensation Commission

37. The United Nations Compensation Commission processes claims and pays compensation for losses resulting from Iraq's invasion and occupation of Kuwait. A total of 2.6 million claims have been filed seeking compensation for alleged losses valued at approximately $320 billion. To date, the Commission has resolved 2.59 million claims and awarded compensation of about $43 billion. The compensation is paid from a special fund that currently receives 25 per cent of the revenues from Iraqi oil sales. An OIOS review of category D claims[2] processing showed that the Commission had generally established adequate internal controls over claims registration, processing and payment. However, in the view of OIOS corrective action was needed in several areas. For example, in four claim cases, the Commission methodology had not been consistently applied. In two of those claims, this had resulted in overcompensation of $468,000. The Commission submitted the OIOS report to the "D" panel of commissioners for comment; they subsequently reaffirmed their original decision and offered an explanation as to how they arrived at the amount awarded. However, in the opinion of OIOS, the panel did not produce any additional information for OIOS to verify the reasons why they had departed from the established methodology.

38. The first instalment of 20 F2 category claims[3] submitted by a Government had an asserted value of approximately $6.6 billion. Based on its review of the award, OIOS concluded that the methodology used to calculate certain costs had not been properly applied, resulting in costs being overstated by approximately $43 million. OIOS therefore recommended that the Commission review those calculations to ensure that there was no overcompensation. The Commission subsequently requested the F2 panel of commissioners to comment on the OIOS observations and

[2] Category D claims are individual claims for damages above $100,000 each.

[3] Category F2 claims are claims filed by the Governments of Jordan and Saudi Arabia.

recommendations. The panel disagreed with the OIOS findings, confirmed the Commission's original recommendation and provided an explanation of their calculations. However, in the view of OIOS, the panel did not provide any new information. Therefore, OIOS recommended that the Commission inform the Governing Council of its findings and recommendations. In an information note dated 5 April 2002, the Commission informed the Council of the OIOS findings and recommendations as well as the panel's views on those matters. The note remains under consideration by the Council.

5. Office for the Coordination of Humanitarian Affairs

(a) Inspection

39. The Office for the Coordination of Humanitarian Affairs has made further progress in addressing the one outstanding critical inspection recommendation, namely, to take action to improve the consolidated appeals process for humanitarian assistance. The recommendation resulted from the 1999 inspection of the Office for the Coordination of Humanitarian Affairs (A/54/334 and Add.1).

40. The Inter-Agency Standing Committee Working Group undertook a review of the consolidated appeals process and endorsed 19 recommendations to strengthen senior level involvement, advocacy and strategic planning and coordination. In addition, the Office for the Coordination of Humanitarian Affairs has developed a Management Response Matrix for its senior management on the basis of an external review of the appeals process. OIOS considers its recommendations closed or subsumed in the recommendations of both of these reviews. Information regarding transparency of trust funds and modalities of exchange of information between the consolidated appeals process and the United Nations Development Assistance Framework has not been available and that part of the recommendation continues to be considered in progress.

(b) Audit

41. In view of its rapidly growing field presence and the importance of its coordination activities, OIOS continued to monitor closely the implementation of recommendations made in its 2001 audit of the Office for the Coordination of Humanitarian Affairs-Geneva. About 27 per cent of the critical recommendations made in the audit report on the Office for the Coordination of Humanitarian Affairs-Geneva have been implemented. The Office for the Coordination of Humanitarian Affairs advised that it had launched a new Finance Tracking System to provide improved analysis and accountability of humanitarian aid flows. In April 2002, the Office for the Coordination of Humanitarian Affairs-Geneva concluded a new memorandum of understanding with the United Nations Office at Geneva, which provided special support arrangements for personnel, finance and procurement. The Office for the Coordination of Humanitarian Affairs is also addressing other critical recommendations concerning the use of technical cooperation posts at headquarters, issuing guidelines on property records and developing exit strategies.

C. Political Affairs

1. Department of Political Affairs

(a) Evaluation

42. The triennial review of the in-depth evaluation of the electoral assistance programme (E/AC.51/2002/7) noted that good progress was achieved in establishing an electoral assistance network. Moreover, with regard to facilitating lessons learned from electoral assistance, the Department of Political Affairs conducted an in-depth assessment of a major mission and a risk analysis study based on past electoral missions. However, there was insufficient attention given to promote the exchange of information among the numerous entities involved in electoral assistance. The Committee for Programme and Coordination endorsed the report for the approval of the General Assembly and for review by the Third Committee.

(b) Audit

43. An audit of the United Nations Office in Angola indicated that extraordinary circumstances had made planning difficult and that the Office had not prepared a comprehensive work plan for implementing its mandate, making it impossible to determine the extent to which the Office had achieved its objectives. In addition, there was little evidence of any substantive guidance from the Department of Political Affairs. However, the Department had worked closely with the Adviser for Special Assignments for Africa, who provided some guidance. The audit also revealed that the Office's logistical support to substantive components was not provided in a timely and effective manner and that its administrative component was overstaffed by at least 10 posts. The Department of Political Affairs has initiated action to implement the OIOS recommendations.

2. Department of Peacekeeping Operations

(a) Overall assessment

44. OIOS peacekeeping auditors made 341 audit recommendations, including 53 critical recommendations, to the Department of Peacekeeping Operations, Headquarters, peacekeeping missions and the Department of Management. Most of those recommendations (311) were contained in audit observations issued by resident auditors and during field audits at peacekeeping missions. The Department of Peacekeeping Operations has implemented 118 of the recommendations, including 8 critical recommendations. The three critical recommendations issued to the Department of Management are still outstanding.

45. OIOS acknowledges the positive response of the Department of Peacekeeping Operations to the audit recommendations and considers their implementation efforts to be satisfactory. For example, the Department has made significant progress in implementing the recommendations resulting from an OIOS audit of recruitment policies and procedures for international civilian staff in peacekeeping missions. Generic job descriptions have been developed for Professional posts in traditional peacekeeping missions, steps have been taken to ensure transparency of the selection process and recruitment guidelines and procedures are under preparation. Similarly, the Department has instituted a number of measures to implement the

audit recommendations concerning peacekeeping information technology. It has recruited a number of qualified Information Technology staff and has secured necessary funds and is in the process of acquiring necessary facilities for information technology disaster planning.

46. During the year under review, the Department of Peacekeeping Operations also carried out significant organizational changes, especially in the area of mission support, and was filling a large number of additional professional posts in the Office of Mission Support. Other important events in the work of the Department included its substantial support to the United Nations operation in Afghanistan and the creation of the United Nations Assistance Mission in Afghanistan. In May 2002, the United Nations Transitional Administration in East Timor had successfully implemented the major part of its mandate and handed over its authority in that region to the Government of the newly created State of Timor-Leste. The successor mission will continue to assist the new nation on a gradually reducing scale.

(b) Field audits and investigations

United Nations Logistics Base

47. An audit of the United Nations Logistics Base at Brindisi, Italy, indicated that the Base's budget presentation needed to identify more clearly the core functions being performed by 40 locally recruited staff hired to supplement its authorized staffing. The Base, which maintains inventories of expendable and non-expendable equipment valued at nearly $70 million, needed to pay greater attention to clearing backlogs in write-offs and disposal of equipment and slow-moving inventory items. Security arrangements at the Base also needed to be independently reassessed. In view of the Base's expanding role as a training facility, significant cost savings could be achieved by accommodating trainees at the Base, rather than in hotels. The Base and the Department of Peacekeeping Operations took action to implement the audit recommendations.

United Nations Mission in Bosnia and Herzegovina (UNMIBH)

48. OIOS was requested to conduct an assessment mission to UNMIBH to ascertain whether police monitors in the International Police Task Force, assigned to UNMIBH, had facilitated the trafficking of women and young girls into the Mission area for purposes of prostitution. The assessment team found that some monitors had used the services of prostitutes. That was despite the directive prohibiting monitors from visiting brothels. However, there was no prima facie evidence to support a finding of widespread involvement by monitors in the trafficking of women and young girls.

49. A follow-up visit by OIOS investigators in January 2002 found that the Mission's senior managers had not followed up fully on key recommendations. Overall, the investigators found that the way inquiries were conducted by the International Police Task Force into allegations of improper behaviour had improved. However, there was a failure to communicate adequately the results of those inquiries to the public and the Mission itself. Six of the 10 recommendations have been implemented.

United Nations Truce Supervision Organization (UNTSO)

50. At the request of the Department of Peacekeeping Operations, OIOS reviewed overpayments of mission subsistence allowances paid to military observers in UNTSO. The audit confirmed that $11,600 was overpaid to 62 military observers owing to extensive delays in implementing a revised administrative instruction. Some $5,300 was subsequently recovered from serving military observers. The Department held the mission's Chief Administrative Officer and the Chief Finance Officer accountable for their failure to enforce the administrative instruction. The recovery of the remaining amounts is under way.

United Nations Interim Administration Mission in Kosovo (UNMIK)

51. OIOS investigated allegations that an UNMIK senior official had awarded the 61 fuel installations owned by two public enterprises incorporated in Belgrade to a businessman in violation of applicable UNMIK regulations and rules. OIOS obtained evidence that the UNMIK official failed to engage in a competitive tender exercise and that the businessman received all of the fuel installations by direction of that official without transparency or authorization. OIOS also adduced evidence to show that the letter leasing the relevant fuel installations to the businessman had actually been drafted by one of the businessman's employees.

52. The same UNMIK official accepted cash payments under the lease from the Pristina company in the amount of approximately $350,000 and failed to record the cash as income in the Kosovo Consolidated Fund, as required by the relevant regulations. The Department of Peacekeeping Operations did not accept the recommendation that appropriate action be taken against the official. The case is under review by the Department and the Office of Legal Affairs.

53. OIOS conducted an investigation into a report that a United Nations Volunteer assigned to UNMIK had embezzled approximately $10,000 earmarked for 30 Municipal Civil Registration Centres. Evidence was obtained that the Volunteer deposited the funds in his personal bank account and had made no attempt to disburse the funds for their intended purpose or return them to UNMIK, until this problem was disclosed by a financial reconciliation. The Volunteer has since left UNMIK.

United Nations Transitional Administration in East Timor (UNTAET)

54. The resident auditors' review of UNTAET banking operations revealed that the mission maintained excessively high bank account balances of approximately $14 million that exceeded its needs. Banking operations were also being conducted without any formal agreements with the banks. Furthermore, taxes were unnecessarily paid on interest and deposits and bank reconciliations were not completed in a timely manner. The mission has since closed four of its bank accounts, reduced its bank balances to $1.6 million and performed reconciliations in a more timely manner. An audit of UNTAET public information programmes showed that of $2.4 million allotted from December 1999 to June 2001, projects totalling nearly $1 million were not undertaken. Also, policy direction was lacking during the initial stages of programme implementation. Although UNTAET Radio achieved its primary objective of nationwide coverage, it did so one year later than planned. Planned nationwide UNTAET television coverage was never achieved and later deemed to be unfeasible.

55. OIOS identified significant deficiencies concerning the controls over assets. As of 31 December 2001, the mission's property records showed an inventory valued at $67.6 million, but $6.6 million of that amount could not be verified. To address the matter, the mission has upgraded its asset control system. A review of the contract for the provision of airfield services in UNTAET disclosed delays and deficiencies in ensuring the safety of operations and in evaluating the contractor's performance. Controls over United Nations equipment and fuel provided to the contractor were weak. Task orders totalling $11.9 million issued by the mission were not sufficiently detailed and indications were that costs claimed by the contractor for some services had been inflated. The mission has taken appropriate steps to correct the situation and was reviewing all contractor charges.

56. Based on a request by the Special Representative of the Secretary-General in East Timor (currently Timor-Leste), OIOS investigated allegations of improper conduct involving the UNTAET Serious Crimes Unit. For example, investigators found evidence to substantiate allegations of misconduct against several senior officials as to their attendance at a dinner in a Dili restaurant with a senior militia member who had been arrested that same day for crimes against humanity. In the course of its investigation, OIOS verified that in July 2001, the Unit recruited an interpreter/translator who was closely related to the leader of the political movement, left East Timor in 1999 and had only a limited knowledge of English. In addition, the same interpreter/translator was assigned and performed duties with access to confidential investigative information within the Unit. Her appointment was subsequently terminated in March 2002.

57. An investigation was conducted into an alleged theft of fuel by a vendor contracted to refuel the mission's generators. The investigators obtained evidence that the documents presented by the vendor were fraudulently altered to cover up the theft of more than 100,000 litres of fuel. Although the vendor reimbursed UNTAET $36,000 for the missing fuel, UNTAET referred the case to the local law-enforcement authorities for criminal prosecution, as recommended by OIOS.

United Nations Mission in Sierra Leone (UNAMSIL)

58. OIOS resident auditors at UNAMSIL reviewed the reimbursement system for contingent-owned equipment and found considerable delays in finalizing the memorandums of understanding between the United Nations and troop-contributing countries. Since some troop-contributing countries did not provide equipment as specified in the memorandum of understanding and because some of the equipment provided was below standard, UNAMSIL ended up having to equip fully and supply those contingents at significant cost to the Organization. Owing to inadequate supervision and poor record keeping by contingents, 15,000 gallons of diesel fuel valued at $21,800 could not be traced. The Mission is investigating the matter. Lack of coordination in the Mission resulted in the failure to take advantage of discounts for prompt payment amounting to $62,500 with respect to fuel purchases. UNAMSIL stated that payments made to the fuel contractor would be reviewed for recovery of such prompt payment discounts.

United Nations Organization Mission in the Democratic Republic of the Congo

59. The review of a $7.9 million contract for the provision of communications and information technology support showed that the contractor's failure to provide

subsistence allowances to its technicians caused disruptions in the Mission's operations. The matter has been dealt with through an amendment to the contract. The resident auditors also noted a high potential for duplication in the provision of contract airfield services valued at $34 million. Some of the services to be contracted were already being rendered satisfactorily, while others could have been obtained more economically through alternative sources. However, the Department of Peacekeeping Operations disagreed with that assessment. Given the seriousness of the findings, OIOS reviewed the procurement of both contracts at Headquarters (paras. 109-110).

60. A review of procurement activities in the Mission raised concerns about the number and quality of procurement personnel, delays caused by incomplete and inaccurate specifications and non-adherence to prescribed lead times by requisitioning units. The Mission also needed to monitor more effectively the receipt of goods and services ordered by the Department of Peacekeeping Operations on its behalf. The Mission has initiated action to implement those recommendations.

61. The OIOS investigator based at the Mission initiated investigations into allegations of rape and sexual exploitation of young girls by Mission staff. Owing to the poor living conditions of the local population, there was a temptation for girls to offer sexual services in exchange for money or favoured treatment by United Nations staff members. OIOS also began investigations into allegations of smuggling and embezzlement in the Mission. However, those investigations could not be completed owing to the discontinuation of investigator posts at the Mission and a lack of necessary resources.

United Nations Mission in Ethiopia and Eritrea (UNMEE)

62. Resident auditors at UNMEE noted that the Mission had not finalized its draft security evacuation plan. In view of the potential risks to the safety and security of Mission staff, OIOS recommended that the Mission finalize the plan in coordination with the United Nations Security Coordinator, disseminate the necessary information to staff and conduct drills to test the plan. UNMEE had been paying duties and taxes on goods and services imposed by the Governments of Ethiopia and Eritrea. OIOS recommended that the Mission obtain appropriate refunds in accordance with the Convention on the Privileges and Immunities of the United Nations. Initial estimates indicated that a refund of approximately $137,000 was due from the two Governments. The Mission stated that it was taking action to implement the recommendations.

63. At the request of UNMEE, the resident auditors assessed the adequacy of internal controls over the warehousing of the Mission's assets. The auditors noted several weaknesses that enabled easy access by unauthorized persons. Moreover, there were delays in notifying the local police of thefts and security incidents. OIOS recommended several measures to strengthen controls at the warehouse, including the proper deployment of security personnel and the regulation of asset movements. The Mission confirmed that immediate action had been taken to enhance the security of the warehouse.

64. An OIOS inspectoral visit to UNMEE noted the strong commitment of management and the dedication of the staff that contributed to the Mission's progress in completing its mandate, especially after the recent decision of the Border Commission with regard to the demarcation of the boundary. In interactions with the

civilian administrators and military commanders, OIOS learned of the problems faced by the peacekeepers, such as the shortage of mine-clearing equipment, unserviceable scout vehicles and high vacancy rates in the Mission. Those issues were brought to the attention of the senior management in the Department of Management as well as the Department of Peacekeeping Operations for follow-up action. OIOS resident auditors at UNMEE will closely monitor progress in those areas.

United Nations Interim Force in Lebanon (UNIFIL)

65. An audit revealed that the mission had not taken adequate measures to ensure cost savings that should have resulted from a reconfiguration to enhance operational efficiency. The UNIFIL budget proposal for 2002-2003 did not establish a link between the progressive reduction in troop strength and the size of the civilian administration. There were also no proposed reductions in the mission's vehicle fleet. The Department of Peacekeeping Operations advised that in the approved UNIFIL budget for 2002-2003, staff strength has been reduced from 483 to 429. Its vehicle fleet has also been reduced from 750 to 695. The audit also identified data inaccuracies in the Field Assets Control System, inadequate asset verification procedures and missing receiving and inspection reports in respect of assets valued at $7 million. UNIFIL has initiated appropriate remedial action to address those matters and the value of the discrepancy has been reduced to $3 million with further reductions anticipated.

The United Nations Mission for the Referendum in Western Sahara (MINURSO)

66. At the request of the Department of Peacekeeping Operations, OIOS investigated allegations of procurement irregularities at MINURSO. The investigators found evidence that one local staff member used his position in the Procurement Section of the Mission to defraud the Organization. He created a company and used his position in the Section to award business to the company. In addition, he colluded with another company to rig the competitive procurement process and submitted forged quotations from other companies. The value of those contracts was approximately $230,000. Although the staff member resigned when presented with the evidence, OIOS subsequently learned that he had been engaged as a United Nations Volunteer to work as a procurement specialist in another mission. Upon receipt of the OIOS investigation report, the United Nations Volunteers programme summarily dismissed him.

(c) Follow-up review of mission subsistence allowance rates

67. As discussed in last year's OIOS annual report (A/56/381), a review of mission subsistence allowance (MSA) paid to military observers, civilian police and international staff members in seven large peacekeeping missions revealed that the allowances were excessive and needed to be reduced. OIOS followed up on the implementation of its recommendations and found that OHRM field surveys confirmed the OIOS earlier findings and reduced MSA rates at five missions, resulting in projected annual savings of $26.5 million. The field surveys also confirmed that increases to the first 30-day MSA rates were justified at two of the missions, offsetting the other savings by approximately $1 million, thus resulting in net projected annual MSA savings of $25.5 million. OIOS intends to monitor closely future developments concerning MSA rates owing to their materiality and impact on

peacekeeping budgets. The Department of Management advised that the Office of Human Resources Management, in cooperation with the Department of Peacekeeping Operations, is exploring additional ways of simplifying MSA rate setting. The Department also pointed out the need for more systematic monitoring and review of MSA rates to ensure that basic living expenditures of mission staff are adequately covered and peacekeeping resources are used effectively.

(d) Policies and procedures for recruiting staff

68. Pursuant to General Assembly resolution 56/241, OIOS audited the policies and procedures for recruiting the staff in the Department of Peacekeeping Operations, with a focus on filling Professional staff vacancies during 2001. OIOS found that the average time taken to fill new vacancies authorized by General Assembly resolution 55/238 was 264 days, or more than double the 120-day goal set out by the Secretary-General. OIOS also found that the nationalities and gender of staff recruited were generally equitable and balanced. Still, further improvement could be achieved in recruiting candidates for the additional posts approved by the Assembly. The OHRM web-based "Galaxy System" should enable the Department of Peacekeeping Operations to monitor more closely the recruitment and promptly follow up on delays in candidate evaluation and departmental review. OIOS has prepared a separate report to the Assembly on the results of the audit (A/57/224), which will be presented during its fifty-seventh session.

(e) Health and life insurance of mission staff

69. An OIOS audit of the health and life insurance coverage of international civilian staff assigned to field missions showed that staff in three of the six largest peacekeeping missions were unaware that their health insurance would be supplemented by the Organization to reimburse 100 per cent of any medical expenses incurred. Better dissemination of information was needed to keep the staff informed of their entitlements under the United Nations "malicious acts" insurance, which provides coverage of up to $500,000 for death or disability directly related to acts of war in designated countries. In response to OIOS recommendations, the Department of Peacekeeping Operations has taken appropriate measures to ensure that all staff serving in peacekeeping missions are fully aware of their health and life insurance entitlements.

D. International justice and law: International Tribunals for Rwanda and the Former Yugoslavia

70. Pursuant to General Assembly resolution 55/250, OIOS conducted a follow-up investigation into possible fee-splitting arrangements between defence counsel and indigent detainees at the International Tribunals for Rwanda and the Former Yugoslavia (A/56/836). Three critical investigation recommendations were issued to the International Tribunal for the Former Yugoslavia; one has been implemented while the other two are in the process of being implemented. Five critical recommendations were issued to the International Tribunal for Rwanda, of which two have been implemented and two have been accepted but have yet to be implemented. Both Tribunals have also implemented most of the previous OIOS investigation recommendations and have taken steps to prevent abuse of the legal aid system established under their respective statutory authorities.

71. OIOS also undertook an inspectoral visit to the International Tribunal for Rwanda to review the follow-up actions taken as a result of the investigation into fee-splitting and other cases. Extensive meetings with the President, the newly appointed Registrar as well as administrators and staff representatives at the Tribunal revealed improved administrative coordination and better court management systems resulting in higher productivity. Staff morale had also risen despite the difficult conditions in Arusha. Moreover, measures had been put in place to prevent fee-splitting between lawyers and detainees, along with more stringent checks into detainees' indigence claims and tighter controls over reimbursements to lawyers.

E. International cooperation for development

1. Department of Economic and Social Affairs

(a) Overall assessment

72. During the last three-year period, OIOS has issued 74 critical recommendations related to the in-depth evaluations of the advancement of women, global development trends, population and sustainable development. The Department of Economic and Social Affairs has made satisfactory progress in addressing those recommendations and to date has implemented 54 of them. The critical recommendations related to the 2002 in-depth evaluation of Economic and Social Council support and coordination will be issued after intergovernmental review later in the year.

73. Of the eight inspection recommendations made in 2000, the Department of Economic and Social Affairs has now implemented seven. Interdisciplinary activities and joint projects have been established in the areas of financing for development, development for Africa, poverty eradication, and technical cooperation in the African and Central Asian regions. Assessment of the effectiveness of the operational activities for development has been done and submitted to the Economic and Social Council. Enhanced coordination to strengthen the complementarity and coherence among the entities of the Executive Committee on Economic and Social Affairs has progressed and proposals to build common strategies for follow-up on the outcomes of major United Nations global conferences and effective interaction with, inter alia, the United Nations Development Group are being piloted.

(b) Evaluation

74. The in-depth evaluation of the subprogramme on Economic and Social Council support and coordination (E/AC.51/2002/4), concluded that the subprogramme, implemented by the Department of Economic and Social Affairs, contributed to making the Council a more effective mechanism, in close partnership with its bureau. While the overall assessment is favourable, the evaluation identified areas where improvements are needed: the preparatory process for the Council's sessions could be made more deliberative and reflective; the planning of themes for the various segments of the Council could benefit from a multi-year perspective; and the backlog of NGO applications must be reduced. Recommendations were made to enhance the support of the Division for Economic and Social Council Support and

Coordination to the Council. The Committee for Programme and Coordination concluded that the Economic and Social Council and the competent Main Committees of the General Assembly should review the conclusions and recommendations.

(c) Audit

The United Nations International Research and Training Institute for the Advancement of Women (INSTRAW)

75. In an April 2002 report to the General Assembly (A/56/907), OIOS concluded that the difficulties experienced by INSTRAW were contributing to the Institute's slow demise. The goal of financing INSTRAW entirely through voluntary funding had not been achieved, resulting in financial instability. In addition, the roles and responsibilities of the Department of Economic and Social Affairs had not been clarified with regard to providing direction to the INSTRAW Board of Trustees and the responsibilities of the Special Representative of the Secretary-General for INSTRAW had not been clearly defined. Moreover, the Institute generally had not achieved the objectives of exercising independence in research, raising and utilizing funds and recruiting staff. OIOS made a series of recommendations to address those matters, but also noted that the option of closing INSTRAW should be seriously considered in the light of the continuing problems discussed in the report. The Department of Economic and Social Affairs advised that its own evaluation of INSTRAW largely confirmed the OIOS findings. The Department also noted that the Secretary-General would decide on a course of action for INSTRAW in the light of the recommendations made by a working group established by General Assembly resolution 56/125.

Project executed by the Department of Economic and Social Affairs, "Capacity-building for the rapid commercialization of renewable energy in China"

76. The second audit by OIOS of a project of the Department of Economic and Social Affairs to build capacity for the rapid commercialization of renewable energy in China, performed at the Department's request, found that its activities had generally been carried out effectively in all major areas. However, the audit also revealed that there was a need for the project to strengthen the monitoring of international contractors' performance, improve the control and transfer of non-expendable equipment and vehicles and allocate additional resources for the China Renewable Energy Industry Association. The Department of Economic and Social Affairs has initiated the implementation of the accepted OIOS recommendations. It further indicated that the transfer of non-expendable equipment would take place only after the completion of project activities.

2. United Nations Environment Programme (UNEP)

77. An audit of the UNEP Division of Environmental Conventions disclosed that the Division's mandate and mission had not been fully translated into a clear action plan. OIOS recommended that UNEP and the other convention secretariats develop a framework and plan for programmatic support and improved coordination and that each party's roles and responsibilities with regard to providing administrative services be clarified. UNEP accepted all the OIOS recommendations and is taking action to implement them.

78. OIOS also determined that eight of the 11 inspection recommendations issued as a result of the 1999 follow-up review of UNEP have been fully implemented, including a recommendation for the establishment of Service Level Agreements between UNEP and the United Nations Office at Nairobi. The remaining three recommendations were in progress. OIOS recognizes the efforts made by UNEP to implement the recommendations.

3. United Nations Centre for Human Settlements (Habitat)

79. An audit of the settlement rehabilitation project in northern Iraq assessed the management of contracts for the construction of housing and other facilities required to resettle internally displaced persons. OIOS found that the procedures for assessing liquidated damages to contractors were inconsistent and there were instances where applicable damages were not charged at all. OIOS also found that construction contracts contained a currency adjustment clause that exposed Habitat to significant currency risk and recommended that the clause be deleted from the contracts. In addition, OIOS noted that the proposed delegation of procurement authority, set at $1 million, was excessive, given the project's needs, and recommended that it be kept at the existing limit of $600,000. Furthermore, OIOS was concerned that appropriate procurement systems and procedures had not been fully established. Habitat accepted the OIOS recommendations and has taken steps to implement them.

4. United Nations Office for Drug Control and Crime Prevention/United Nations International Drug Control Programme (ODCCP/UNDCP)

(a) Overall assessment

80. ODCCP undertook energetic and determined corrective measures in line with the recommendations of the inspection of its programme management and administrative practices (A/56/83). Out of 14 OIOS recommendations, seven have been fully implemented and the other seven are in progress. OIOS is satisfied that ODCCP made considerable progress in establishing a reliable framework for project design and appraisal, streamlining its structure and reporting lines and strengthening its programme and financial oversight.

81. Six critical investigations recommendations were issued, of which two have been implemented and four have been accepted and are in the process of being implemented. Four of the six recommendations issued call for improved accountability for waste and abuse or the correction of high-risk systemic deficiencies. The two implemented recommendations concerned the disclosure of mismanagement.

82. OIOS made 97 audit recommendations to ODCCP/UNDCP senior management and a further 48 to operating and field staff: of those recommendations, 66 (46 per cent) were classified as being of critical importance. Nearly half of those critical recommendations called for changes in ODCCP policies and improvements in productivity, work flow and programme delivery. The audits also identified over $146,000 in potential savings and improvements. Overall, ODCCP and UNDCP have been timely in responding to audit reports and observations and in addressing the issues raised by OIOS. Fifty-eight per cent of the critical recommendations have been implemented and another 39 per cent were being implemented. Implementation

of some of those recommendations will require changes to policies and procedures and revision of working agreements with United Nations agencies that service ODCCP/UNDCP field operations.

(b) Inspection

83. The inspection of ODCCP in early 2001 concluded that poor management had affected the fulfilment of its mandate and implementation of projects and that the Office was being run in a highly centralized manner. A consistent system for programme oversight in the form of monitoring and implementation and assessing results was not in place and the absence of a clearly defined delegation of authority from the Executive Director to programme managers clouded accountability.

(c) Investigation

84. An investigation into allegations of fraud, misconduct and mismanagement of the "boat project" at ODCCP (A/56/689)[4] determined that the evidence did not support the fraud allegation. However, OIOS found multiple incidents of mismanagement of project operations and waste of ODCCP funds in connection with the project. OIOS recommended that the Secretary-General take appropriate action and that the appropriate authorities ensure that the projects initiated by ODCCP henceforth follow United Nations rules, regulations and authorization and funding procedures. The new Executive Director has placed high emphasis on improving the governance of the programme and the management of the Office.

(d) Audit

Management audit of ODCCP

85. A management audit of ODCCP showed that the balance of general purpose funds available for future activities had declined sharply from $13.7 million in 1998 to $1.8 million in 2000, presenting a risk to the initiation of new activities. While ODCCP has attempted to utilize those funds more prudently, there was no assurance that the funds would provide for adequate start-up capital for new projects. OIOS also found that ODCCP was not properly monitoring financial reports from the field. OIOS made a series of recommendations aimed at enhancing the efficiency and effectiveness of financial and human resources management and creating an internal monitoring and review function. ODCCP has implemented most of the OIOS recommendations.

ODCCP Regional Office for southern Africa

86. The OIOS audit showed that frequent changes in the regional office's top officials and the wide span of control hindered effective management. Moreover, agreements with implementing partners did not fully stipulate the activities to be carried out, or identify relevant financial resources and reporting requirements. Internal controls regarding procurement, staff administration, finance and property management were weak and led to inefficiencies and non-compliance with certain

[4] The investigation involved reports received by OIOS alleging that the former Executive Director of ODCCP had engaged in misconduct by improperly giving the Office funds and equipment to a personal friend and fellow sailor in exchange for his assistance with the former Executive Director's voyage on his personal sailboat across the Atlantic Ocean.

rules and regulations. OIOS recommended measures, such as timely posting of senior staff, formalizing institutional contracts and agreements and improving internal controls. The regional office has accepted the OIOS recommendations and was in the process of implementing them.

Audit of the UNDCP Country Office in Peru

87. The UNDCP Country Office in Peru, which is responsible for executing nine drug control projects with a cumulative budget of $27.3 million, reported a relatively high programme delivery rate. However, the Office's programming, planning, reporting and evaluation functions at the field office level were not adequately structured and needed improvement. In addition, relations with cooperating United Nations agencies needed to be clarified and procurement activities improved. In response to OIOS recommendations, UNDCP issued new reporting guidelines, enhanced project evaluations, resolved several financial control issues and improved controls over the use of consultants.

UNDCP Lao Country Office and Nonghet Alternative Development Project

88. The UNDCP Country Office in the Lao People's Democratic Republic was responsible for implementing nine UNDCP projects with an approved budget of $15.3 million. The OIOS audit found that, although management has attempted to cope with administrative requirements related to its increasing workload, a number of problems needed to be addressed, including reliance on substantive professional officers to perform some administrative tasks. The UNDCP Nonghet Alternative Development Project has contributed to reducing opium-cultivated areas and opium production. However, the OIOS audit confirmed that improvements were still needed in project planning, human resources management, financial controls, procurement and property control. OIOS made a series of recommendations to address those issues, which UNDCP was in process of implementing.

UNDCP project to strengthen law enforcement capacity in southeastern Europe

89. UNDCP project AD/RER/99/D41, with a three-year budget of $6.4 million, was designed to strengthen law enforcement capacity in southeastern Europe. An OIOS audit showed that the project was making progress in achieving its objectives and that its internal control system was adequate to ensure appropriate project management and reporting. However, OIOS noted that the field accounting system required improvement and that project monitoring arrangements needed to be established to ensure the project's long-term sustainability. UNDCP accepted all the OIOS recommendations and has already implemented several of them.

F. Regional cooperation for development

1. Economic Commission for Africa (ECA)

90. An audit of ECA procurement and property management found that the procedures for controlling procurement, valued at approximately $13 million per annum, needed to be improved in order to provide greater protection against financial losses or fraud. ECA agreed to strengthen existing procedures for evaluating bids and selecting vendors and to enhance the role of the Local Contracts Committee in this process. The Commission accepted all 26 critical

recommendations and is implementing them. In that regard, ECA will review the policy on vehicle utilization and improve arrangements for supplier selection. The ECA implementation rate is considered satisfactory.

91. OIOS timed an inspectoral visit to ECA to coincide with an audit of the personnel management system in the Commission. The visit confirmed that ECA has become a key interlocutor of development in Africa and has developed strong networks with Member States, NGOs and regional organizations, attracting the significant voluntary contributions to promote its mission. The inspection identified problems in staff-management relations and the underutilization of ECA conference facilities in Addis Ababa, among other things. Those issues are being addressed by the Commission.

2. Economic and Social Commission for Asia and the Pacific (ESCAP)

92. An OIOS audit highlighted best practices in the ESCAP publication quality control and management of consultants and pointed out a need for the Commission to determine clearly its capacity to accept new projects financed from extrabudgetary resources. There was also a lack of analytical data for controlling and monitoring the expenditure of staff resources, particularly on time spent for developing project proposals. With regard to financial management, OIOS identified delays in programming non-earmarked contributions and in accounting for unspent fund balances and accumulated interest. The audit showed that the completed project account was understated by $4 million as of 31 December 2000, owing to delays in closing 157 projects and inadequate accounting procedures. The Department of Management advised that the backlog of projects pending closure was cleared by 30 June 2001 and the remaining balances were either remitted to the donors or credited to their accounts. The biennium accounts ending 31 December 2001 are therefore correctly stated. OIOS also concluded that the Commission needed to enhance the contributions of General Service staff in delivering the programme of work. ESCAP has accepted and implemented all 17 of the OIOS final recommendations, 12 of which were considered critical.

3. Economic Commission for Latin America and the Caribbean (ECLAC)

93. The inspection of programme management and administrative practices in ECLAC (A/56/930) found that the Commission has maintained its historic standing for intellectual excellence, pertinent regional policy advice and effective technical assistance. Many of its products and services, particularly studies and publications, are considered standard references in the specific subject areas, both in the region and worldwide. In general, ECLAC is a well-run organization with a good institutional culture and staff morale. The decentralization approach has enhanced initiative, flexibility, response to emerging issues and multidisciplinary teamwork. However, the inspection found that there was a need to improve human resources management and to review the responsibilities of, and accountability by, ECLAC managers. In addition, interaction and collaboration with ECLAC subregional offices needed to be strengthened.

94. Nineteen critical recommendations were issued to ECLAC aimed at improving the programme planning and performance monitoring, strengthening personal accountability, improving coordination and collaboration throughout the Commission and addressing specific issues of human resources management.

ECLAC has already implemented three recommendations while the remaining 16 are in progress.

4. Economic and Social Commission for Western Asia (ESCWA)

95. An audit of ESCWA conducted in April 2001, covering the preceding period, identified leadership and management communications problems, which hampered the effective and efficient implementation of the Commission's programme of work. There was also no framework for planning and executing the work programme or in-depth evaluation of outputs in view of the Commission's refocused programmatic priorities. OIOS highlighted the need for increased coordination in developing work plans and for clarifying responsibilities with regard to: budget preparation and monitoring; project implementation; quality assurance; and fund-raising. OIOS also noted that the Commission's human resources and financial management functions needed to be improved. OIOS issued 29 recommendations, including 22 critical ones, addressing those matters. ESCWA has implemented 28 of the recommendations.

G. United Nations Headquarters activities

1. Department for Disarmament Affairs

(a) Inspection

96. The inspection of programme management and administrative practices in the Department for Disarmament Affairs (A/56/817) focused primarily on assessing its performance in fulfilling the Secretary-General's goal of responding effectively to the priorities of Member States in the area of disarmament. The inspection resulted in the overall positive assessment of the Department's programme management and administration and it emphasized the regional dimension of the Department's activities.

97. Twenty-five recommendations were made regarding management of programme delivery and the regional dimension of the Department's activities. The recommendations focused on improving planning and monitoring and enhancing the Department's Internet presence, strengthening public outreach through both conventional and electronic means and taking specific measures towards advancing internal and system-wide coordination and cooperation. Decisive measures were proposed to mobilize Member States' material support for the regional centres to ensure their long-term viability and effectiveness.

98. The Department for Disarmament Affairs accepted all recommendations except one regarding the discontinuance of the Regional Disarmament Branch. The Department hopes to revitalize the Branch through the appointment of a new Chief of Branch and additional staff and by assigning new functions that include landmine issues, a focus on regions where the Department has no representation, e.g. Europe and the Middle East, and a liaison function with regional and subregional organizations. OIOS, however, reserves judgement on the envisaged redesign of the Branch functions and whether its revitalization will actually materialize. The Secretary-General's proposal for the reform programme will include a larger role for Executive Committees in pursuing policy coherence. That is intended to result in greater clarity of the Department's responsibilities.

99. The Department for Disarmament Affairs has taken decisive steps towards implementing 25 recommendations, four of which are closed to date and 18 are currently in progress. OIOS considers the implementation rate of 17 per cent satisfactory.

(b) Evaluation

100. The triennial review of the in-depth evaluation of the disarmament programme (E/AC.51/2002/6) noted that the Department for Disarmament Affairs has followed up the earlier recommendations to develop further its collaboration with relevant treaty and regional organizations and with United Nations organizations and the research community. However, progress on strengthening the regional centres for peace and disarmament as well as improving the financial and organizational arrangements of the United Nations Institute for Disarmament Research is not satisfactory and depends on budgetary decisions. The Committee for Programme and Coordination recommended approval by the General Assembly of the conclusions of the triennial review and that the issues be reviewed by the First Committee.

2. Department of General Assembly Affairs and Conference Services (currently the Department for General Assembly and Conference Management)

(a) Inspection

101. OIOS noted that the Department of General Assembly Affairs and Conference Services (currently the Department for General Assembly and Conference Management) has made significant progress in implementing the recommendations contained in the report on the inspection of the Department (A/55/803) and is taking decisive measures to complete the implementation of the pending recommendations. Out of the 10 critical recommendations, four were fully implemented, while six are currently in progress. Overall, OIOS is satisfied that the Department has established high-level cooperation between departments involved in the consolidation exercise, as well as author departments, to ensure the timely submission of reports. OIOS is also cognizant of the progress made in regard to the establishment of a cohesive effort between conference services in New York, Geneva, Vienna and the Department of Management in the budget preparation process to ensure that resources are optimally utilized and the institutionalization of mechanisms that will enable the Department for General Assembly and Conference Management to measure the quality of its services and systematically link customer satisfaction to the services provided.

(b) Evaluation

102. The in-depth evaluation of the subprogramme on General Assembly and Economic and Social Council affairs (E/AC.51/2002/4) concluded that the technical secretariat services provided by the Division which implements the subprogramme were efficient and effective. There is a need to strengthen the provision of advice and support to the Office of the President of the General Assembly and to the bureaux of the Main Committees. The Committee for Programme and Coordination invited the Committee on Conferences to consider aspects of the recommended advice and support. OIOS issued six critical recommendations related to the in-depth evaluation of the Division of General Assembly and Economic and Social

Council affairs. Regarding the timely issuance of documentation, the report recommended that the Department of General Assembly Affairs and Conference Services (currently the Department for General Assembly and Conference Management) further explore the reasons for the delays under the control of the Secretariat and formulate a plan to eliminate them.

(c) Investigation

103. An investigation was conducted into the outside employment of translators of the Department for General Assembly and Conference Management and instances in which translators engaged in private translation contracts with the United Nations Population Fund and other funds and programmes, without prior authorization, as required under Staff Regulation 1.2 (o). Evidence showed that the practice among translators to engage in such contracts is widespread. OIOS recommended that appropriate action be taken as regards the activities of those staff who had admitted having engaged in outside employment without requesting prior authorization.

3. Department of Public Information

104. An audit of the Media Accreditation and Liaison Unit in the Department of Public Information disclosed a number of problem areas that needed to be addressed. OIOS recommended that the usefulness of the "Media Alert", a daily listing of news and media events involving press coverage taking place at Headquarters, be re-examined; that liaison responsibilities be clearly defined; and that leadership, communications and coordination within the Unit be improved. Other areas requiring attention included inadequate staff job descriptions and work assignments, excessive use of overtime, including non-compliance with rules, and the failure to complete staff performance appraisals. The Department accepted all nine critical recommendations and has already implemented five of them.

4. Department of Management

(a) Overall assessment

105. Fifty-nine audit recommendations (including 30 critical recommendations) were issued to the Department of Management. the Department has implemented 23 of the recommendations (including nine critical recommendations) and is in various stages of implementing the remaining ones. OIOS considers that implementation rate to be generally satisfactory. However, implementation remains to be completed for a number of critical recommendations made in OIOS management audits that were completed in 2000 concerning the Office of Human Resources Management attendance and leave system and the recruitment process (see annex I).

106. Some parts of the recommendations emanating from the 1998 inspection of Common Services, United Nations Office at Geneva, are still to be completed. Sustained efforts have been made by the Office of Central Support Services to put in place common systems to deal with travel, procurement and payroll requirements in line with the recommendations of OIOS. Integrated Management Information System (IMIS) releases have now been implemented throughout the system. Full use is made of online travel booking and shipment of goods and personal effects and an inter-agency network has been introduced. Security services throughout the

Organization have been strengthened by way of additional posts and financial resources.

(b) Inspection

107. As requested by the General Assembly, OIOS conducted an inspection into the possible discrimination of staff owing to nationality, race, sex, religion and language in recruitment, promotion and placement (A/56/956). OIOS found shortcomings in the consistency, completeness and accessibility of data; however, most departments and offices made every effort to respond to the OIOS requests. The results of the analysis did not reveal any systematic or consistent pattern of preference or exclusion that impaired equal opportunity for any given region in recruitment, placement or promotion over the past six years. The results of the analysis by gender, however, indicated that disparities continue to exist at the higher grades. The Secretary-General is committed to ensuring that discrimination is not tolerated in the Organization and that any such allegations will be promptly addressed. The Secretary-General concurred with the OIOS recommendations, including the articulation of a policy on discrimination for the Organization.

(c) Audit

Procurement of information technology and telecommunications equipment and related maintenance

108. An OIOS audit observed that, generally, the Procurement Division needs to expand the use of systems contracts in purchasing information technology and telecommunications equipment and related services and expertise; encourage manufacturers to participate in United Nations procurement activities; consider introducing leasing programmes; and establish a list of "key suppliers" to ensure the best prices, quality and service support. The audit also found that decentralization of the procurement of information technology and telecommunications equipment to the departments has created backlogs and problems in processing equipment purchases. There is a need to identify a "responsible coordinator" to provide unified guidance to requisitioning officers and the Procurement Division and to ensure an integrated procurement policy and standards concerning information technology and telecommunications equipment. OIOS made a series of recommendations to address those matters. The Department of Management and the Department of Peacekeeping Operations, which are major purchasers of such equipment, generally agreed with the Office of Internal Oversight Services recommendations and are in the process of implementing them.

Telecommunications and information technology contract audit

109. Following complaints made to OIOS resident auditors, an audit was undertaken of a $7.9 million contract for the provision of telecommunications and information technology staff support at peacekeeping missions. OIOS found that that the contractor's failure to provide its staff with adequate food and lodging constituted a breach of the contract, which disrupted mission operations and obliged two peacekeeping missions to make unauthorized cash advances and provide other direct assistance totalling over $76,000 to the contractor's personnel. The audit also identified internal control weaknesses regarding the processing, certification and settlement of contractor invoices and discovered a number of administrative errors,

including a double payment of $91,248, erroneous recording of commitments totalling $158,656 and the loss of prompt-payment discounts amounting to about $11,500. Based on the OIOS recommendations, the Organization recovered more than $167,000 from the contractor and has initiated a number of corrective actions.

Airfield services contract audit

110. An audit of the procurement of an airfield services contract for the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) found that the decision of the Department of Peacekeeping Operations to outsource the provision of those services was not supported by a cost-benefit analysis and that, though the contract was awarded in March 2001, the contractor had not started providing the services as of November 2001 because of protracted post-award negotiations. MONUC therefore was forced to continue operating its large fleet of aircraft in what the Department of Peacekeeping Operations considered an unacceptably high-risk environment. According to the Department of Management, protracted negotiations resulted from the need to modify the contract's working methodology and because the war risk insurance market was closed following the events of 11 September, leading to unavoidable delays. The audit also revealed several discrepancies in the technical evaluation of proposals that resulted in the selection of a more expensive contractor and indicated a need to strengthen the Department's capacity for preparing specifications and evaluating proposals. The Department of Peacekeeping Operations has initiated concrete steps to implement the OIOS audit recommendations and has decided to rebid the initial contract, which amounted to $34 million. The Mission's requirements for those services are being reassessed. The results of the audit were reported to the General Assembly in April 2002 (A/56/906). The Department of Peacekeeping Operations advised that it has since developed model criteria for assessing airfield service proposals based on international and United Nations aviation standards. Additionally, efforts are under way to identify the most suitable support arrangements for these services.

Maintenance contract at United Nations Headquarters

111. The audit of the maintenance contract at United Nations Headquarters showed that there were weaknesses in the supervision and control over contractor billings carried out by the Office of Central Support Services. OIOS also raised concerns about the propriety of selected invoices, the lack of supporting documentation and the evaluation of contractor performance. Action on the OIOS recommendations has already been taken or is under way.

Integrated Management Information System at Headquarters

112. A post-implementation audit of IMIS at United Nations Headquarters (A/56/879) concluded that a number of governance measures intended to ensure the effective operation of IMIS still had to be addressed and that additional work was needed to consolidate IMIS data and integrate the system across all duty stations. Funding and personnel resources issues also needed to be resolved in order to complete system modifications and enhancements. Other concerns related to the need for an information systems risk analysis and an information systems security policy. OIOS recommended: full implementation of the governance framework proposed by the IMIS Common Services Working Group; updating the IMIS Common Services Agreement; and developing an IMIS strategic plan, including an

evaluation of the viability of implementing IMIS in the peacekeeping missions and tribunals. OIOS also recommended that the Information Technology Services Division take the lead in developing a business continuity plan to ensure continued provision of core services in the event of a disaster.

Headquarters accounts receivable

113. An OIOS audit of accounts receivable maintained at United Nations Headquarters showed that the process for following up on receivable balances due from vendors and staff members needed to be strengthened. The Accounts Division's receivables tracking and collection activities also required improvement through enhancements to IMIS, such as the generation of ageing reports. Other areas of concern included the classification of receivable balances in IMIS, and the need to develop more effective collection methods. The Accounts Division generally agreed with the OIOS recommendations and has already begun to implement them.

5. Office of Legal Affairs

114. The in-depth evaluation of legal affairs (E/AC.51/2002/5) concluded that the Office of Legal Affairs has generally discharged its functions effectively. In particular, the Office reviewed the legal arrangements related to peacekeeping as needed to follow the evolution in the field, took necessary measures to assist the international tribunals and supported the developments and the adoption of important instruments in international public and trade law. Progress has been made, but more needs to be done, to uphold the unified nature of central legal services. A strong central capacity is needed to ensure a uniform and consistent application of the law within the Organization. The Committee for Programme and Coordination recommended approval by the General Assembly of most of the recommendations and that they be further reviewed by the Sixth Committee.

6. United Nations Joint Staff Pension Fund (UNJSPF)

(a) Overall assessment

115. OIOS audited a number of high-risk areas of the Pension Fund, such as pension contributions, benefit entitlements, member organizations' submission of separation documentation and the procurement of contractual services by the Fund's Investment Management Service. In consultation with the Fund's management, OIOS established focus areas for internal audit coverage in 2002 and 2003, including cash management and financial reporting; information technology systems; investment operations; and the budget process. OIOS issued 55 recommendations including 35 recommendations considered as being of critical importance. OIOS notes the satisfactory progress made by the Pension Fund in implementing 30 of the recommendations (including 25 critical recommendations).

(b) Audit

UNJSPF secretariat

Audit of pension contributions by member organizations

116. The OIOS audit of pension contribution remittances by member organizations revealed that more than $33 million in contributions were underremitted or remitted late during 1999 and 2000, resulting in lost interest income of over $400,000, which had not been recovered by the Fund. The Fund also had not taken adequate corrective action to reduce the number of discrepancies in contributions reported by member organizations. This has been a long-standing problem and the backlog of discrepancies had grown to about 14,000 items as of 31 December 2000. While agreeing with the OIOS observations and recommendations, the Fund noted that additional resources were required to clear the backlog.

Audit of benefit entitlements for surviving spouses and divorced surviving spouses

117. OIOS assessed the adequacy and effectiveness of internal controls to ensure that survivors' benefits payable to spouses and former spouses are processed accurately, efficiently and in compliance with the applicable regulations, rules, policies and procedures. OIOS found and the Fund concurred that there was a need to establish benchmarks for each phase of benefit processing to ensure that cases are processed efficiently and that problem areas are promptly identified.

Audits of member organizations' processing of separation documents

118. OIOS audits of the Fund's member organizations showed that there were often delays of up to one year or more in the payment of pension benefits owing to the late submission of separation documentation by those organizations. Based on an OIOS proposal, the internal audit services of a number of United Nations organizations agreed to conduct audits of the processing of separation documents and their submission to the Fund. Sixteen separate audit teams took part in the project, covering 21 organizational entities. The audits determined that the member organizations were generally responsible for the delays. However, the Fund also needed to make improvements such as establishing specific timeliness criteria for the submission of separation documents, developing an electronic format for separation documents and improving communications between the Fund and its member organizations. Other major benefits of the joint project included drawing management attention to that area, thereby giving higher priority to submitting separation documents in a more timely manner and sharing recommended best practices among the member organizations. The Fund's management generally agreed with the recommendations and has provided OIOS with an implementation plan.

Investment Management Service

Audit of contractual services

119. The audit revealed a number of problem areas requiring immediate management attention, including: the absence of certain internal control procedures; non-compliance with United Nations procurement policies; inadequate monitoring

of vendors' performance; and insufficient tracking of payments to vendors. OIOS also identified several cases where the Service directly negotiated contract fees, terms and conditions with vendors and processed extensions to contracts/agreements, although it did not have the necessary delegated authority to do so.

Audit of investment management

120. An audit of the Fund's Investment Management Service, which is responsible for managing investments valued at approximately $21 billion, identified shortcomings in the internal control system, inadequate procedures to document the investment process and a need to improve the efficiency and transparency of investment operations. One of the factors contributing to the weaknesses in internal controls was the Investment Management Service's organizational structure, which did not provide an adequate supervisory framework and did not allow for proper segregation of duties. For example, the Director was operationally involved in the execution of real estate transactions, which led to a conflict of duties and the lack of an acceptable accountability mechanism. Furthermore, no succession plan was developed. The Investment Management Service Organization, Policies and Procedures Manual did not serve as an adequate internal control tool — it is insufficiently detailed and outdated and some procedures were not documented.

121. OIOS also noted that the Investment Management Service uses four non-discretionary investment advisors, at a cost of about $7.6 million per annum, which make recommendations on investment strategy and on individual investments of the Fund. However, no evaluation had been made of their performance in terms of the quality of their advice and the value added by their recommendations. There is a need to conduct a comprehensive review of the investment process to ensure that fair value for money is obtained from the use of the non-discretionary advisory service and that there is value added by each function performed by the investment advisors in the light of the fact that the decision is ultimately made by the Investment Management Service investment officers in all of the markets, except for fixed income/bond markets. OIOS also noted that one senior Investment Management Service investment officer manages a $6.5 billion portfolio invested in the North America region, representing about 30 per cent of the Fund's total portfolio. In the opinion of OIOS, that concentration of responsibility is not prudent. Moreover, in view of the size and diversity of the investment portfolio, it was the view of OIOS that the Fund should review the need for an increase in the number of Investment Management Service investment officers or the hiring of additional discretionary investment advisors.

(c) Risk assessment

122. During the period, OIOS conducted a comprehensive risk assessment of the Fund's activities in order to identify those areas with the highest risks and the potential impact of those risks considering the level of controls established by management to prevent or mitigate them. OIOS also assessed gaps in current audit coverage and will use the results to develop a risk-focused audit plan. As a result of that risk assessment, which covered both the Investment Management Service and the Fund's secretariat, OIOS concluded that investment management, cash management, information technology and benefit processing constituted the areas of greatest risk, requiring additional audit emphasis.

123. To address the significant risks identified, the OIOS strategy is to focus audit coverage on high-risk areas and to reduce the length of the audit cycle in order to cover all functional areas in three rather than six years. To achieve that goal, additional resources are required. In that regard, OIOS has informed the Fund's Chief Executive Officer and the Pension Board of its increased resource requirements. However, a positive response to this request has not been received.

7. Secretariat-wide oversight activities

(a) Strengthening evaluation

124. The OIOS report on strengthening the role of evaluation findings in programme design, delivery and policy directives (A/57/68) reviewed the arrangements made in the Secretariat to carry out the evaluation function and the quality of the evaluations completed during the period 2000-2001. The report noted that programmes supporting large-scale field operations were generally able to do comprehensive evaluations. Most of the other programmes did not implement, or for that matter prepare, comprehensive evaluation plans (see para. 155). The report also recommended measures to increase the value of in-depth evaluations carried out by OIOS. The Committee for Programme and Coordination agreed that one in-depth and one thematic evaluation be undertaken each year, freeing some capacity to enhance support provided by OIOS for self-evaluation. Proposals for thematic evaluations, which will look at how well the United Nations is working towards common goals being undertaken by different programmes, will be considered by the Committee for Programme and Coordination in 2003.

(b) Monitoring of programme performance

125. OIOS prepared the Secretary-General's report on programme performance of the United Nations for the biennium 2000-2001 (A/57/62). For the first time, the programme budget for 2000-2001 included expected accomplishments at the subprogramme level, which were used in the programme performance report as reporting goals for the qualitative assessments for each subprogramme, together with indicators of achievement and accomplishments realized.

(c) Management consulting activities

Assessment of the impact of the implementation of the ESCAP revitalization plans

126. OIOS management consultants recommended that ESCAP institute a structured change management approach that would enable a smooth transition and a programme structure with two policy areas to be addressed during the development of the operational action plan. The roles of certain divisions should also be clearly defined to enable better support of the thematic focus. Additionally, a comprehensive study of the administrative support services was needed to identify any processes or tasks that are redundant or do not add value. The consultants also jointly facilitated three workshops on results-based budgeting. The ESCAP Executive Secretary accepted most recommendations and has established an in-house change management team to develop a structured change management approach to be used in managing the ESCAP revitalization effort.

Facilitation services to the Third Annual Meeting of the United Nations Security and Safety Service Network

127. The consultancy assisted the Security and Safety Service in developing standardized security policies and operating procedures in areas such as training, recruitment, staff qualifications, evacuation, firearms and equipment, which could be implemented throughout the United Nations system.

Elimination of administrative duplication

128. As requested by the General Assembly, OIOS undertook a study to identify and eliminate administrative duplication and complex bureaucratic procedures in the Organization and recommend appropriate solutions. The data collection analysis included soliciting inputs from the entire Organization. A key component involved assessing the viability of implementing automated workflow for many paper-based processes. The cost-benefit analysis of proposed solutions was also an integral part of the process to add viability. Streamlining and automating the workflow should have a significant impact in reducing duplication and facilitating many of the administrative processes. The preliminary results of the study were an input into the Secretary-General's reform package being submitted to the General Assembly at its fifty-seventh session.

Study of the role and mandate of the United Nations Office for Project Services (UNOPS)

129. The Secretary-General requested OIOS to conduct a study of the role and mandate of the United Nations Office for Project Services to determine, based on the stated needs of the United Nations system, how that Office could more effectively support execution of the Organization's programmes. Recommendations made by OIOS related to areas such as defining a project management model for the Organization, improving the coordination between the Office and UNDP (which provides the Office with administrative support), streamlining the Office's internal processes, strengthening the oversight board and enhancing organizational project management capacity. The report was submitted in September 2001 to the Secretary-General.

H. Offices away from Headquarters

1. United Nations Office at Geneva (UNOG)

(a) Inspection

130. Some parts of the recommendations emanating from the 1998 inspection of Common Services are still to be completed. At UNOG, in completing the implementation of recommendations from that inspection, several external factors, such as national legal requirements and the release of IMIS 4, have been taken into account. Full implementation is scheduled for the end of 2002.

(b) Audit

131. An audit of UNOG procurement and contracting operations covered transactions of $36 million in 1999 and $18.4 million for the first nine months of

2000. UNOG was able to adapt to changes required by IMIS and met its timeliness standard for the issuance of purchase orders. However, there were instances of non-compliance by requisitioners with competitive bidding requirements, including the failure to bid competitively a telephone contract in excess of $1 million. The audit also noted ex-post facto procurement cases, a lack of systems security and the lack of financial statements and analysis in support of the vendor roster. OIOS made 19 recommendations intended to, inter alia, strengthen the monitoring of compliance with competitive bidding requirements; bring repeated cases of non-compliance to the attention of higher levels of authority for appropriate action; and improve the quality of management data, system security and vendor roster maintenance. UNOG implementation of OIOS recommendations is considered satisfactory. To date, eight of the 19 audit recommendations have been fully implemented. UNOG reported that it is increasing the level of requisitioning offices' understanding of procurement rules and processes and will provide additional training based on the United Nations procurement module training programme.

2. United Nations Office at Nairobi (UNON)

(a) Overall assessment

132. UNON accepted all 13 critical inspection recommendations issued by OIOS. Among the corrective measures already taken, the management of UNON has begun scheduling regular meetings with the members of the Committee of Permanent Representatives and has decided to provide them with information on the management of UNON to ensure transparency between UNON and Member States. UNON has also begun establishing service-level agreements with client entities in Nairobi. Details of the service agreements are being dealt with by a working group, which has made recommendations to UNON detailing the nature of common and shared services to be included in those agreements.

133. OIOS issued 40 critical audit recommendations, all of which were accepted by UNON. Twelve of the recommendations have been implemented and UNON is in the process of implementing the remaining recommendations as discussed below.

(b) Inspection

134. The inspection of the administrative and management practices of UNON (A/56/620) concluded that although its role and mandate had been clearly defined in various Secretary-General's bulletins, the relationship between the functional responsibilities and reporting lines of the Office with respect to its relationship with UNEP, Habitat and the governing bodies of both entities needed further clarification. In the area of human resources management, UNON faces a major problem of attracting highly qualified professional staff to the Office, contributing to its inability to fill vacancies in senior management positions. OIOS recommended that the Director-General of UNON and the Chief of the Division of Administrative Services request the Office of Human Resources Management to undertake a review of the current human resources situation in Nairobi and prepare a paper for consideration by the Secretary-General on options for helping UNON achieve the same status as other United Nations headquarters duty stations. That action would involve an analysis of compensation packages given by other Kenya-based multinational and international organizations.

(c) Audit

UNON Contracts and Procurement Section

135. An OIOS audit of the UNON Contracts and Procurement Section showed that existing procedures for controlling procurement valued at over $80 million in 2000 needed improvement to provide greater protection against financial losses or misconduct. To improve current procedures, UNON terminated a number of contracts and agreed to strengthen the processes for selecting suppliers and awarding contracts. The current organizational structure and management needed to be reassessed to ensure that the Service is able to carry out its functions effectively. The audit also covered certain aspects of property management and recommended improvements, including the implementation of a computerized system, compatible with IMIS and linked to the procurement cycle, to ensure automatic updates of inventory records. Written procedures were also needed for the local property survey board concerning such matters as member selection and responsibilities, quorums, recording of votes and monitoring the implementation of decisions. In addition, OIOS recommended that UNON study the feasibility of reducing the number of storage locations to enhance security and control. Management agreed with the recommendations. A number of recommendations have already been implemented and others are in the process of being implemented.

UNON Travel, Shipping and Transportation Unit

136. An audit of the UNON Travel, Shipping and Transportation Unit identified no serious problems with regard to current procedures for handling staff travel and shipping requests. However, the audit observed that prior to 2001, UNON had not recovered over $630,000 in commission rebates owing to poor monitoring of travel agency services contracts. OIOS was also concerned that the Unit's roles and responsibilities were not always clearly defined, which contributed to inadequate control and management of the transportation function. In that regard, OIOS identified potential savings of approximately $1 million, which could be achieved by buying rather than leasing vehicles for transporting General Service staff. The audit also raised questions as to whether vehicles were always used properly and efficiently. Management advised that the recommendation concerning recovery of commission rebates due from the travel agency for the period prior to 2001 has been implemented. According to management, the other recommendations are being implemented.

3. United Nations Office at Vienna (UNOV)

IMIS post-implementation at UNOV

137. An OIOS post-implementation audit of IMIS at UNOV focused on assessing whether IMIS was providing a reasonable level of user satisfaction and determining whether UNOV management had implemented adequate security arrangements to ensure data integrity and reliability. OIOS conducted a survey of IMIS users and found that they were generally satisfied with major aspects of the system's operations. According to the survey, users received adequate help and the information was reliable. Nevertheless, UNOV needed to enhance IMIS training and modify certain management practices. The audit disclosed no significant weaknesses regarding the IMIS security arrangements. However, UNOV needed to formalize its

Business Continuity Plan to ensure that it could mobilize alternative arrangements for processing data and continue to provide core services in the event of a major disaster affecting the computer facilities. OIOS made a series of recommendations to address those issues and further improve user satisfaction. The implementation of the recommendations is in progress. UNOV management has prepared numerous IMIS manuals, guidelines, workflow diagrams and training materials in addition to training and retraining staff.

Human Resources Management Section

138. An OIOS audit of the UNOV Human Resources Management Section, which also provides services to ODCCP, found that although the Section had instituted procedures to enhance the efficiency of its services, it was not able to meet its 120-day goal of completing recruitment and placement actions. The audit further showed that Staff Rule 107.27 (c) governing the non-removal element of the mobility allowance paid for the storage of household goods was not clear, resulting in varying interpretations and applications of the rule in different duty stations. OIOS also noted that justifications for recruitment of retirees were not documented and that the terms of reference for consultants were not clear, preventing effective assessment of outputs and timely completion of their contracts. OIOS issued 25 recommendations, 17 of which were considered critical. As recommended, OHRM examined the financial implications of the different applications of the non-removal element at selected duty stations and reported that it was preparing written policy guidance to ensure uniformity and consistency in the interpretation and application of the rule. UNOV is in the process of implementing the recommendations.

4. United Nations operational funds and programmes

139. The General Assembly deferred to the fifty-seventh session deliberations on two updated reports issued by OIOS on enhancing oversight mechanisms at United Nations operational funds and programmes (A/55/826 and Corr.1; A/56/823). OIOS concluded that the majority of funds and programmes, for which OIOS provides audit and investigative services, have signed a memorandum of understanding and established new oversight committees or enhanced existing committees to include oversight responsibilities. OIOS has established client profiles for all funds and programmes. Those profiles contain information about oversight mechanisms in place at the entities and will be included, as appropriate, in the OIOS annual report to the Assembly.

140. Each fund and programme has entered into a memorandum of understanding to reimburse OIOS fully for internal oversight services provided. The memorandum of understanding spells out the level of service based on a standard cost of service, including indirect costs incurred (inter alia, travel, equipment and training). OIOS receives confidential reports from staff members from the funds and programmes for investigation. The reimbursement for such services is sought at the same level as for services requested by the management of any given entity. The guidelines for reimbursement are established in accordance with the Financial Regulations and Rules of the United Nations.

III. Future plans and challenges

141. OIOS will progressively sharpen its focus on the areas of greatest risk to the Organization, such as peacekeeping, humanitarian and related activities, human resources management, procurement and the management of newly established bodies. To meet the challenges of the future, OIOS has initiated a three-pronged approach to strengthen further oversight that adds value to the Organization. By addressing (i) the strategy that guides oversight methodologies and allocation of resources; (ii) the scope of oversight operations; and (iii) the systems for accomplishing and measuring oversight results, OIOS aims to maximize the impact of its services in future.

A. Strategy

Risk assessment and management

142. As a priority, OIOS will develop a comprehensive and rigorous risk management methodology to guide the strategic planning of its oversight activities. Working with external consultants, OIOS will identify the greatest risks in its "oversight universe" to allocate scarce oversight resources more efficiently and will develop a consolidated work plan for 2003 to address the most significant threats to the Organization's operations and assets in order to maximize the impact of oversight activities.

143. That strategy will complement and strengthen the Organization-wide move to performance measurement and results-based budgeting. In support of that, OIOS will enhance the Secretary-General's programme performance report for the biennium 2002-2003 to allow for a fuller qualitative measurement of the Organization's performance and assessment of the results achieved.

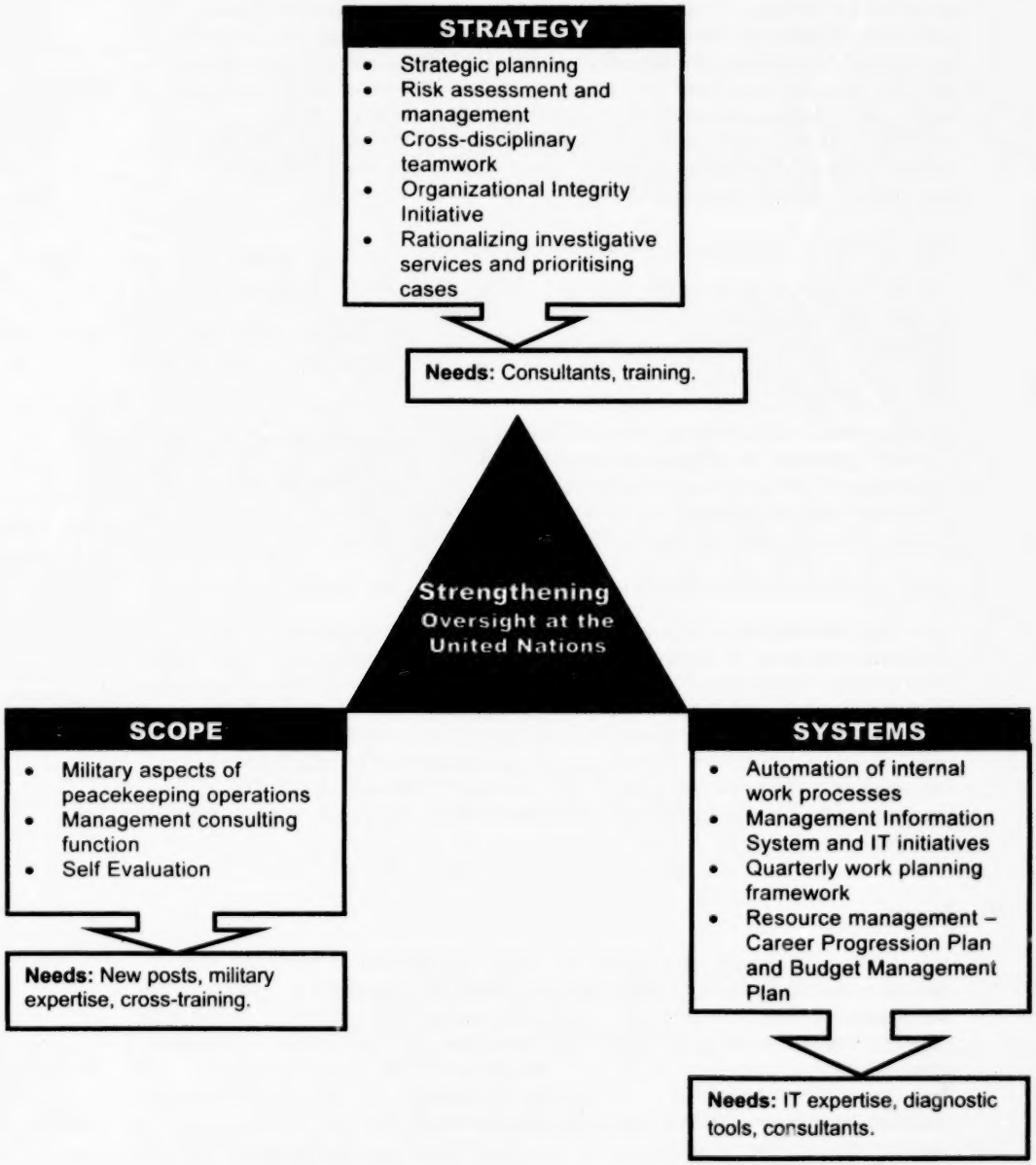
Cross-disciplinary teamwork

144. The merger of four oversight functions in the newly established Monitoring, Evaluation and Consulting Division has facilitated cross-disciplinary teamwork in the areas of monitoring, inspection, evaluation and management consulting. Two OIOS reports to be submitted to the General Assembly were prepared by cross-functional teams and the results clearly demonstrate the synergies achieved.

145. For example, the report on the evaluation of the implementation of results-based budgeting, to be submitted to the General Assembly at its fifty-seventh session examines the topic from various perspectives. The report takes into account the Secretary-General's reform initiatives, is guided by General Assembly mandates for monitoring and evaluation and is mindful of new ideas for performance measurement. That effort was made possible through the involvement of OIOS staff with experience in evaluation, inspection, monitoring and strategic planning.

146. The extensive data collection and analysis for the report on possible discrimination (A/56/956 and Add.1) required the specific skills of individual staff members from different sections in the Monitoring, Evaluation and Consulting Division working as a cohesive team.

Figure 1


STRATEGY
Strategic planning
Risk assessment and management
Cross-disciplinary teamwork
Organizational Integrity Initiative
Rationalizing investigative services and prioritising cases
Needs: Consultants, training.
Strengthening
Oversight at the
United Nations
SCOPE
Military aspects of peacekeeping operations
Management consulting function
Self Evaluation
Needs: New posts, military expertise, cross-training.
SYSTEMS
Automation of internal work processes
Management Information System and IT initiatives
Quarterly work planning framework
Resource management – Career Progression Plan and Budget Management Plan
Needs: IT expertise, diagnostic tools, consultants.

Organizational integrity initiative

147. The United Nations must be at the forefront of the battle against corruption to counter any negative impact on its activities worldwide. Similarly, corruption must be addressed internally to mitigate the related financial, operational and reputational risks that could jeopardize the Organization's moral authority. The cases OIOS receive for investigation are indicative of the problems faced in-house. OIOS has both the mandate to confront corruption and other malfeasance in the Organization and extensive hands-on experience in pursuing actual cases of corruption. Promoting organizational integrity is a strategic initiative taken by OIOS to tackle fraud and corruption and raise ethical standards. The Office is actively participating in an inter-agency anti-corruption working group.

Rationalizing investigative services and prioritizing cases

148. The incoming caseload for investigations increased from 433 cases to 538, or 24 per cent, during the current reporting period and is expected to continue to increase in future, continuing the upward trend since 1997. Seventy-three per cent (or 395) of the total number of cases received were located away from United Nations Headquarters.

149. Currently, OIOS has to prioritize all incoming cases, as it does not have adequate resources to handle all cases. OIOS has also expanded its training programme to enhance the investigative skills of security officers at offices away from Headquarters and selected peacekeeping operations where investigators are not present. Those trained security officers provide the first contact in alleged incidents and in many cases can complete the inquiries. If cases are too complicated, duty stations turn over the information to professional OIOS investigators.

150. The growing number of resource-intensive cases, compounded by competing client demands from the funds and programmes and peacekeeping operations, have put a strain on OIOS investigation resources. To cope with the increasing caseload more efficiently, investigators have been assigned to the following four target functions: (i) systematic analysis to identify trends and recognize patterns in cases received; (ii) investigations of priority cases, special reviews and other investigative functions; (iii) administrative support; and (iv) other investigative services, such as planning, risk assessment, resource allocation and investigations at peacekeeping missions.

B. Scope

151. OIOS will expand its oversight coverage of underserved areas, as well as provide more "proactive" oversight services through consultancies to promote good management practices. In addition, OIOS will offer training courses for managers, provide diagnostics of programmes and functions and encourage collaborative assignments.

Oversight of military aspects of peacekeeping operations

152. The expanding role of military operations in United Nations peacekeeping and the heightened need for security present significant challenges to the Organization. With a total annual cost of $2 billion in 2000, peacekeeping constitutes a significant

budget area for which OIOS needs to provide additional coverage of military operations. As an example of the benefits that could be derived, an OIOS audit of the International Police Task Force in UNMIBH led to the redeployment of 35 International Police monitors from administrative tasks to substantive duties, resulting in estimated annual savings of $1 million. To further enhance its credibility, OIOS will acquire additional expertise in military aspects of peacekeeping operations to support such assignments.

153. Given the inherent risk of peacekeeping operations, OIOS auditors are working with a major consulting firm to conduct a risk assessment of UNMIK. Once the risk assessment methodology has been successfully piloted, it will be applied to other peacekeeping missions.

Increased emphasis on management consulting services

154. OIOS management consultants have added value to the Organization by working with clients to put in place efficient, innovative and benchmarked management practices. In support of the Secretary-General's current reform efforts, OIOS is undertaking several major consulting projects that have stretched its resources.[5] As part of its own departmental self-assessment, OIOS has committed itself to adopting a balanced assessment approach in its reports and recommendations. That approach involves identifying and highlighting positive findings and best practices by specific managers, staff or sections. In future reports, OIOS will focus on strengthening relations with clients by giving credit where credit is due, highlighting positive performance and disseminating lessons learned.

Increased support for self-evaluations; thematic evaluations

155. OIOS intends to provide increased support to departments to strengthen their self-evaluation capacity in a manner that complements the implementation of results-based budgeting. The Secretary-General is also highlighting the need for more meaningful evaluations in his proposal to the General Assembly for the reform programme. OIOS aims to tailor its support based on the nature of the programmes. The major challenge is to ensure clarity in the multiple requirements faced by programme managers. OIOS will also rationalize and diversify its in-depth evaluation activity, which currently consists of two in-depth evaluations each year of different programmes of the medium-term plan. OIOS will conduct a pilot thematic evaluation of specific activities cutting across several programmes.

C. Systems

156. An important internal initiative is the introduction of an electronic working paper system to manage the audit process more effectively. That system, which was recommended by the Board of Auditors, will help OIOS to ensure that its audits are fully documented and efficiently carried out. OIOS will also develop a new management information system to provide the Under-Secretary-General for Internal Oversight Services with regular information on the performance of OIOS Divisions. The system will enhance the management of resources, provide critical

[5] Administrative duplication, human resources management reform and departmental self-assessment projects.

indicators to allow the Divisions to focus on issues that require action and eventually permit benchmarking.

157. In support of its improved risk management methodology, OIOS will implement a quarterly work-planning framework to monitor progress and make strategic adjustments to account for emerging risks. The revised work plan will be communicated to the Joint Inspection Unit and Board of Auditors to prevent duplication.

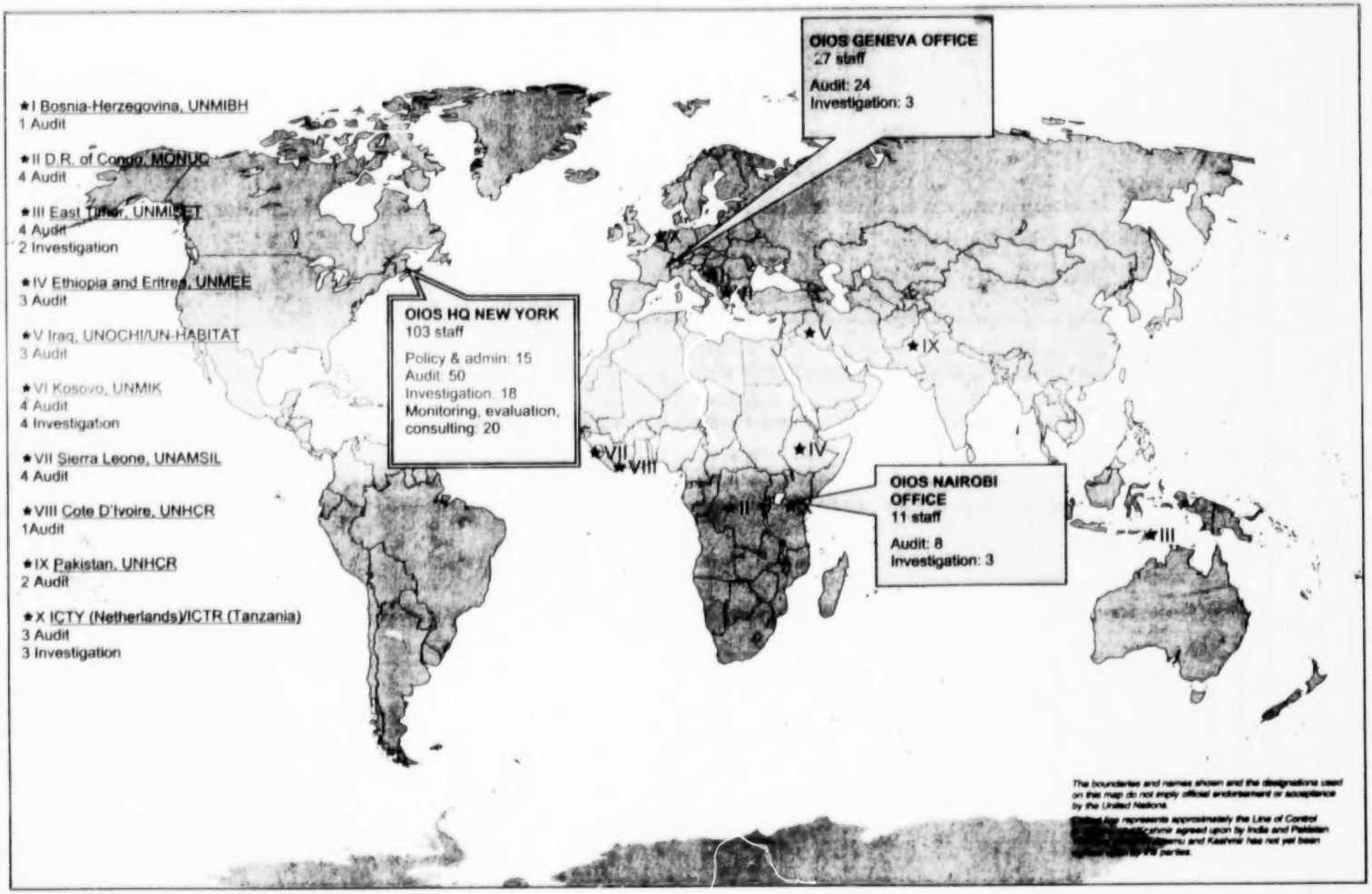
158. OIOS will also improve management of its own resources — human and financial — by developing a Career Progression Plan and a Budget Management Plan. Those plans will establish guidelines for effectively planning, implementing and monitoring OIOS resources. OIOS will continue to emphasize the need for the highest integrity of its staff in all of their activities and for raising the efficiency and productivity of its oversight processes.

D. OIOS around the world

159. OIOS has a total of 179 posts: 103 posts at Headquarters; 27 at OIOS, Geneva; 11 at OIOS, Nairobi; and 38 auditor and investigator posts for individual peacekeeping missions. The map in figure 2 below shows the distribution of OIOS posts worldwide.

Figure 2

OIOS Global post distribution as at 1 September 2002



Annex I

Critical recommendations in reports of the Office of Internal Oversight Services on which corrective action has not been completed

In paragraph 28 (d) of ST/SGB/273 of 7 September 1994, the Office of Internal Oversight Services (OIOS) was requested to identify in its annual report critical recommendations previously reported to the General Assembly for which corrective action had not been completed. The table below shows OIOS recommendations presented in the two previous OIOS annual reports (A/55/436 and A/56/381), for which implementation was not completed by 30 June 2002.

OIOS function	*Addressee subject reference in previous annual reports*	*Status*
Audit	Office of the United Nations High Commissioner for Human Rights/audit of OHCHR headquarters administration A/55/436, paras. 90-93	OHCHR was still in the process of implementing four critical recommendations, inter alia, (a) to negotiate stronger, more specific provisions in the memorandum of understanding with the United Nations Office for Project Services and (b) to commence negotiations with the United Nations Controller concerning the application of a reduced support cost charge for funds managed by third parties.
Audit	Department of Management, Office of Human Resources Management/management audit of the attendance and leave system A/55/436, paras. 101-105	The Office of Human Resources Management has not completed the implementation of five critical recommendations concerning such issues as the time allowed for the submission of sick leave certification, the role of the Medical Service in the certification process and the re-engineering of the system for administering sick leave.
Audit	Department of Management, Office of Human Resources Management/follow-up audit of the recruitment process A/55/436, paras. 97-100	OIOS critical recommendations to improve human resources information management, examine the effectiveness of the National Competitive Examination programme and protect the integrity and ensure the transparency of the recruitment process have not yet been fully implemented.

OIOS function	*Addressee/subject reference in previous annual reports*	*Status*
Investigations	International Tribunal for Rwanda A/56/381, paras.107-112, and A/55/759, paras. 81 and 85	OIOS recommended that the International Tribunal for Rwanda formulate a working definition of indigence and a definition of "sufficient means" in relation to maximum financial limits on the assets owned by a suspect/accused person. That recommendation has been rejected by the Tribunal and deemed to be "not viable" as it will compromise the Tribunal's independence. Another recommendation was that the Tribunal implement rules for the publication of clear guidelines on the definition of the "exceptional circumstances" ground permitting a suspect/accused person to change counsel has also been rejected as, according to the Tribunal, restricting flexibility. OIOS continues to call for the implementation of those recommendations and notes that similar recommendations issued to the International Tribunal for the Former Yugoslavia have been accepted and implemented.

Annex II

Status of requests by the General Assembly

A. Audits

The categories of information to be included in the annual reports of OIOS were set out in paragraph 28 of the Secretary-General's bulletin ST/SGB/273 of 7 September 1994. The required information is found in the present report, as indicated below:

- A description of significant problems, abuses and deficiencies, and related OIOS recommendations (paras. 14-140);
- Recommendations not approved by the Secretary-General (none);
- Recommendations in previous reports on which corrective action has not been completed, or revision of a management decision from a previous period (see annex I);
- Recommendations on which agreement could not be reached with management, or for which requested information or assistance was refused (none);
- The value of cost savings recommended and amounts recovered (table 4 and para. 13).

B. Information to be included in the annual report of the Office of Internal Oversight Services

By its resolution 56/246 of 7 February 2002, the General Assembly requested the Secretary-General to ensure that OIOS include the following elements in its annual report:

Resolution 56/246, para. No.	
3	Information regarding the implementation rate of the recommendations of the three previous reporting periods (paras. 5-12*);
4	Information regarding the impact of its reorganization on its work (paras. 144-146);
5	A report on the refinement of the criteria for critical recommendations, taking into account the relevant provisions of resolutions 48/218 B of 29 July 1994 and 54/244 of 23 December 1999 (paras. 6-7);
6	Separate reports: on those recommendations that have been implemented, on those that are in the process of being implemented and on those for which no implementation process is under way; and on the reasons for their non-implementation (tables 1 and 2; and client assessments, para. 12 and annex I);

Resolution 56/246, para. No	
7	Update on the implementation of OIOS recommendations on mission liquidation activities (A/56/896);
8	Report on the implementation of OIOS recommendations on the new mission subsistence allowance referred to in paragraphs 88 and 89 of its report (A/56/381) (para. 67);
9	Update on the status of oversight activities referred to in paragraphs 71 to 81 and in paragraphs 52 to 60, respectively, of its two most recent annual reports (A/55/436 and A/56/381). OIOS issued an update of oversight activities concerning the oil-for-food programme and the United Nations Compensation Commission (A/56/903);
10	Attention to the following: section III, paragraph 7, of General Assembly resolution 55/222 of 23 December 2000, by which it reiterated that all documents submitted to legislative organs by the Secretariat and expert bodies for consideration and action should have conclusions and recommendations in bold print.

OIOS notes that its annual report is submitted to the General Assembly for reporting purposes pursuant to Assembly resolutions 48/218 B and 54/244. The annual report summarizes information on OIOS activities, such as the status of implementation of recommendations issued by OIOS to departments and offices in relation to its oversight mandate during the reporting period. As such, it does not include new or detailed recommendations.

* References are to paragraphs in the present report.

Annex III

Reports of the Office of Internal Oversight Services during the period from 1 July 2001 to 30 June 2002

A. Reports transmitted to the General Assembly

1. Audit

- Report of the Office of Internal Oversight Services on the audit of the policies and procedures of the Department of Peacekeeping Operations for recruiting international civilian staff for field missions (A/56/202)
- Audit of the establishment and management of mission subsistence allowance rates (A/56/648)
- Post-implementation review of the Integrated Management Information System at United Nations Headquarters (A/56/879)
- Update on the status of the recommendations of the Office of Internal Oversight Services on mission liquidation activities at the United Nations (A/56/896)
- Update of oversight activities concerning the oil-for-food programme and the United Nations Compensation Commission (A/56/903)
- Audit of a contract for the provision of airfield services in the United Nations Organization Mission in the Democratic Republic of the Congo (A/56/906)
- Audit of the United Nations International Research and Training Institute for the Advancement of Women (A/56/907)
- Audit of the United Nations High Commissioner for Refugees Operations in Albania (A/56/128)
- Audit of the Office of the United Nations High Commissioner for Refugees private sector fund-raising activities (A/56/759)

2. Monitoring and inspection

- Programme performance of the United Nations for the biennium 2000-2001 (A/57/62)
- Inspection of the administrative and management practices of the United Nations Office at Nairobi (A/56/620)
- Inspection of programme management and administrative practices in the Department for Disarmament Affairs (A/56/817)
- Inspection of programme management and administrative practices in the Economic Commission for Latin America and the Caribbean (A/56/930)
- Possible discrimination due to nationality, race, sex, religion and language in recruitment, promotion and placement (A/56/956 and Add.1)

3. **Funds and programmes**

- Enhancing the internal oversight mechanisms in operational funds and programmes, updated views (A/56/823)

B. Reports transmitted to the Committee for Programme and Coordination

- Strengthening the role of evaluation findings in programme design, delivery and policy directives (A/57/68)
- In-depth evaluation of the subprogrammes on General Assembly and Economic and Social Council affairs and Economic and Social Council support and coordination (E/AC.51/2002/4)
- In-depth evaluation of legal affairs (E/AC.51/2002/5)
- Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-ninth session on the in-depth evaluation of the disarmament programme (E/AC.51/2002/6)
- Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-ninth session on the in-depth evaluation of the electoral assistance programme (E/AC.51/2002/7)

C. Audit reports (departments/audit subject)

Department of Economic and Social Affairs	• Implementation of the development account programme project executed by the Department of Economic and Social Affairs: CPR/97/G31
	• Capacity-building for the rapid commercialization of renewable energy in China
Department of Management	• Contract PD/CO049/00 between the United Nations and Telecommunications Consultants India, Ltd.
	• Establishing personnel actions in IMIS
	• Contracting of travel services for the organizations of the United Nations common system
	• Post-implementation review of the Integrated Management Information System

	• Office of Central Support Services maintenance contract with ISS/One Source
	• Procurement information technology and telecommunication equipment and related maintenance services
	• Assets management at Headquarters
Department of Peacekeeping Operations	• United Nations Truce Supervision Organization/United Nations Special Coordinator in the Occupied Territories mission subsistence allowance overpayments
	• Establishment of mission subsistence allowance rates
	• Contract for the provision of airfield services at the United Nations Organization Mission in the Democratic Republic of the Congo
	• Audit needs assessment for non-United Nations funds in East Timor
	• Audit needs assessment for non-United Nations funds in Kosovo
	• Resident audit of the United Nations Interim Administration Mission in Kosovo
	• United Nations Logistics Base
	• Resident audit of the United Nations Transitional Administration in East Timor
	• Resident audit of the United Nations Mission in Sierra Leone
	• Resident audit of the United Nations Mission in Ethiopia and Eritrea
	• OIOS audit of the United Nations Interim Force in Lebanon
	• Audit of health and life insurance of mission staff
	• United Nations Disengagement Observer Force

Department of Political Affairs	• United Nations Office in Angola
Department of Public Information	• Media Accreditation and Liaison Unit
Economic Commission for Africa	• Economic Commission for Africa Procurement and Inventory/Stores Management Units of the General Services Section
	• Economic Commission for Africa Travel, Shipping and Transportation Unit
	• Audit of the submission to the United Nations Joint Staff Pension Fund of separation documents and other data by the Commission
Economic and Social Commission for Asia and the Pacific	• Economic and Social Commission for Asia and the Pacific
Economic and Social Commission for Western Asia	• Audit of the Economic and Social Commission for Western Asia
International Court of Justice	• Audit of the International Court of Justice
International Tribunal for Rwanda	• International Tribunal for Rwanda procurement and asset management
International Trade Centre	• International Trade Centre Information Technology Support Service/Help Desk
Office for the Coordination of Humanitarian Affairs	• Office for the Coordination of Humanitarian Affairs in Geneva
Office of the Iraq Programme	• Audit of the management of the oil inspection services contract
	• Review of Security Council resolution 986 (1995) on programme activities in Iraq
Office of Programme Planning, Budget and Accounts	• Accounts receivable at United Nations Headquarters
	• Bank accounts reconciliation at United Nations Headquarters
	• Headquarters trust funds
United Nations Border Relief Operations	• United Nations Border Relief Operations

United Nations Compensation Commission	• Management review of the United Nations Compensation Commission phase-out activities
United Nations Environment Programme	• Review of voluntary contributions received by UNEP and Habitat
	• Division of Environmental Conventions
	• Review of UNEP programme support costs
	• Mediterranean Action Plan Coordinating Unit
United Nations Joint Staff Pension Fund	• United Nations Joint Staff Pension Fund, Geneva office
	• Contributions to the United Nations Joint Staff Pension Fund
	• United Nations Joint Staff Pension Fund Administration — procurement operations
	• Benefit entitlements for surviving spouses and divorced surviving spouses
	• Investment Management Service — contractual services
United Nations Office for Drug Control and Crime Prevention	• Regional office for southern Africa
	• UNDCP country office in Peru
	• UNDCP regional centre for East Asia and the Pacific
	• Office for Drug Control and Crime Prevention management audit
	• Country Office in the Lao People's Democratic Republic
	• The Nonghet Alternative Development Project in the Lao People's Democratic Republic
	• Joint UNDCP-Phare project in south-eastern Europe

United Nations Office at Geneva	• Trust Fund contributions administered by UNOG
	• United Nations procurement and contracting operations
	• Human resources management — review of the non-removal element of mobility and hardship allowances
United Nations Office at Nairobi	• Contracts and Procurement Service
	• Travel, Shipping and Transportation Unit
	• Mail, Pouch and Archives Unit
	• Audit of the submission to the United Nations Joint Staff Pension Fund of separation documents and other data by UNON
United Nations Office at Vienna	• United Nations Office at Vienna human resources management
Office of the United Nations High Commissioner for Refugees	• Project personnel
	• Deutsch-Akademische Flüchtlings Initiative Albert Einstein (DAFI)
	• Fiftieth anniversary activities
	• Asset management
	• Review of UNHCR international implementing partners
	• Operations in the Baltic States and in Australia, Bosnia and Herzegovina, Cambodia, the Central African Republic, Chad, the Congo, Croatia, the Czech Republic, Egypt, the Federal Republic of Yugoslavia, Gabon, Georgia, Hungary, India, Iraq, Lebanon, Namibia, Nepal, the Russian Federation, Slovakia, South Africa, the Sudan, Thailand, Timor-Leste, Turkey, Uganda, the United States of America and Zambia
Management consulting by the Office of Internal Oversight Services	• Management review of the United Nations Office for Project Services
	• Consultancy services for ESCAP

	• Review of duplicative, complex, bureaucratic administrative processes and procedures in the Organization
	• Consultancy services for the Office of Central Support Services
	• Consultancy services for the Management Policy Office of the Department of Management
	• Consultancy services on internal justice process

D. Investigation reports (department/investigation/subject)

Department of General Assembly Affairs and Conference Services (currently the Department for General Assembly and Conference Management)	• Misconduct (multiple reports)
Department of Peacekeeping Operations	• Abduction of minor
	• Abuse of authority (multiple reports)
	• Misconduct (multiple reports)
	• Mismanagement (multiple reports)
	• Trafficking of women and young girls
	• Theft
International Tribunal for Rwanda	• Fee-splitting between defence counsel and indigent detainees
	• Misconduct
International Tribunal for the Former Yugoslavia	• Fee-splitting between defence counsel and indigent detainees
Joint United Nations Programme on HIV/AIDS	• Misconduct
Office of the United Nations High Commissioner for Refugees	• Misconduct
	• Refugee smuggling
United Nations Office for Drug Control and Crime Prevention	• Misconduct and mismanagement (multiple reports)

United Nations Children's Fund	• Misconduct
United Nations Conference on Trade and Development	• Advanced fee fraud
United Nations Development Programme	• Mail fraud
	• Misconduct (multiple reports)
	• Theft
United Nations Office at Geneva	• Misconduct
United Nations Office at Nairobi	• Misconduct
United Nations Population Fund	• Mismanagement